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The Board of Directors has this day declared a regular quarterly dividend of \$1.06 1/4 per share on the \$4.25 Cumulative Preferred Stock of this corporation, payable May 15, 1946, to stockholders of record at the close of business May 1, 1946. Checks will be mailed.

A. SCHNEIDER,
Vice-Pres. and Treas

New York, April 9, 1946.

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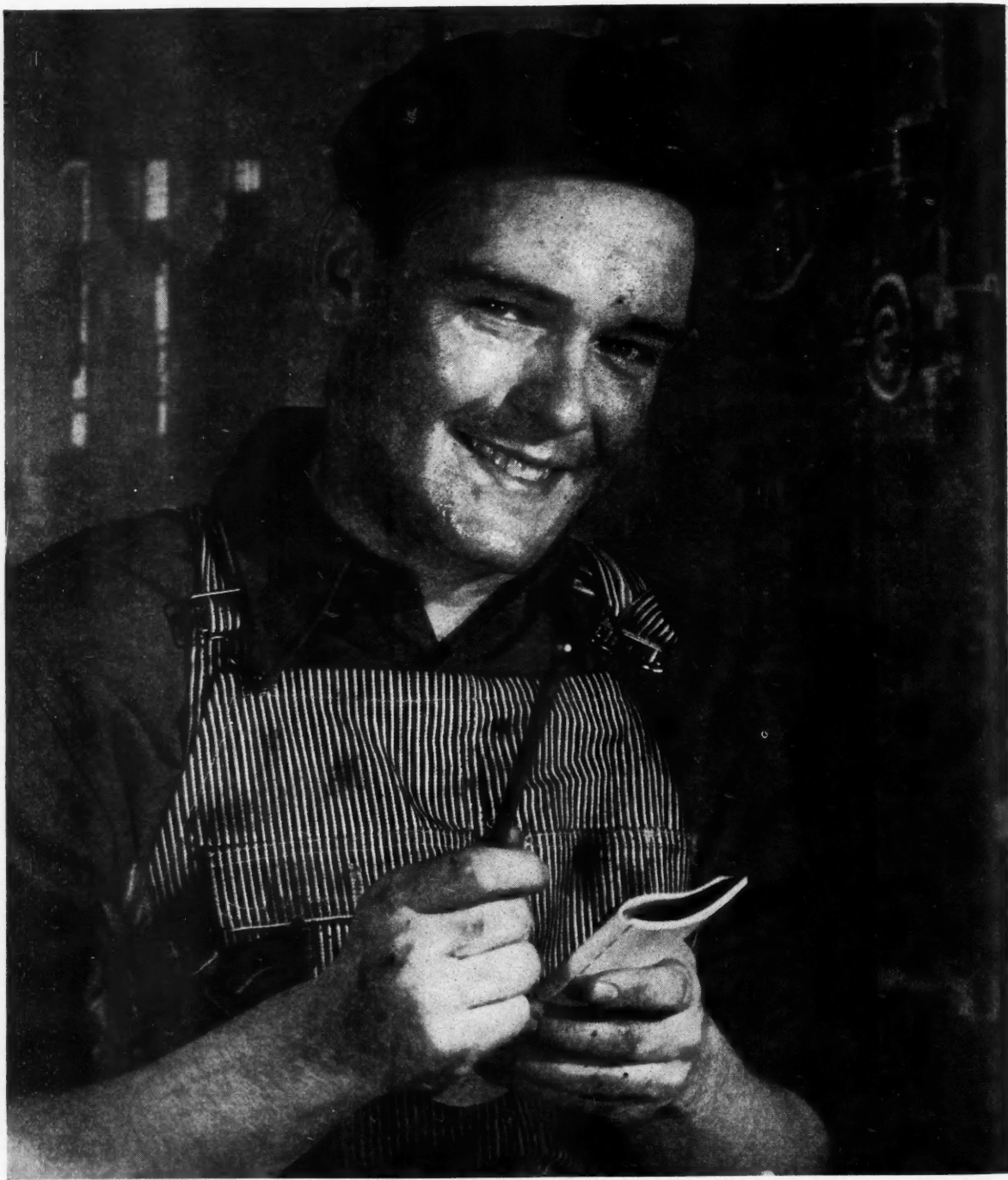


Photo by Ewing Galloway

Some 2,000,000 workers have received increases this year ranging in amount from 15 to 25 cents an hour. But if these gains mark the start of a race be-

tween wages and prices they will be more than absorbed by the rising cost of living. The real gains will come from increased production per manhour.

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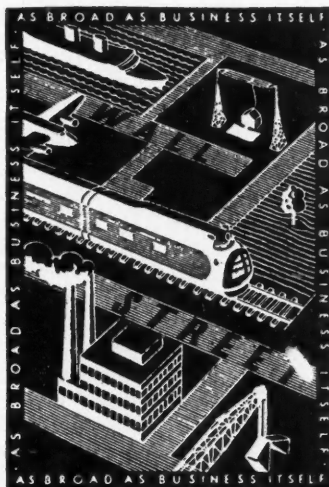
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THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Publisher*



The Trend of Events

SALUTE TO PENNSYLVANIA RAILROAD . . . To the Pennsylvania Railroad on the occasion of its 100th anniversary, we extend our heartiest congratulations.

As we look back on the history of this venerable railroad, our feelings are a mixture of awe and admiration. The Pennsylvania is no enfeebled centenarian—it is a robust, healthy, corporate giant, flexing its sinews and expanding its chest with justifiable pride. Today it can look back and perhaps agree that “the first hundred years are the hardest.” But it can also view with profound satisfaction, the vital role which it has played in making its service area, embracing thirteen states, the most important and highly industrialized in the world. The road’s history, achievements, and growth are a veritable facsimile of the history, achievements and growth of the United States during the past century.

From a road capitalized at \$5,500,000 and owning two locomotives, two passenger cars, a baggage car and 61 miles of track, the Pennsy has grown to the largest privately owned railroad in the world. It is the vital transportation artery serving New York, Philadelphia, Pittsburgh, Chicago and St. Louis and over its 26,000-mile system, carries more freight and passengers and collects more revenue than any other railroad. Its assets exceed \$2,000,000,000. Through five wars, the road has rendered valuable service to the nation. During the past five war years, Pennsylvania hauled more than a billion tons of freight and more than 600,000,000 passengers, including 17,500,000 service men and women. And finally on its 100th birthday, stockholders received their 99th consecutive dividend! No other

company listed on the New York Stock Exchange can match that record.

No indeed, there is nothing senile about the Pennsylvania Railroad.

Pennsy, We salute you. May your next hundred years be as bountiful as the first.

WHAT'S HAPPENING TO PRODUCTION? . . . In a recent week, there was a lot of heartening news from the various production fronts. Output of trucks and automobiles was reported to be at a rate of 2,600,000 a year and was expected to reach 5,000,000 annually by July; furniture was being made at a record rate; wool consumption for apparel was near the all-time high; the same was true of tires and tubes; cotton consumption was at record levels; and textile production generally was 56 per cent above prewar levels. Production for all industry was at a volume more than 50 per cent above prewar.

It is one thing, however, to read about high level production, but quite another to find tangible evidence of it. The housewife is still able to buy only one pair of cotton sheets at a time; men’s white shirts are a rarity; only a comparative handful of men were able to boast a new suit of clothes for Easter; shoes are scarce; and new standard make tires are hard to buy.

Offhand, this doesn’t seem to make sense and gives rise to the suspicion that production reports are exaggerated. It is possible that these reports lean more toward the optimistic side than otherwise. Yet they could still be a lot more optimistic than they are and there would not be enough of the things that everyone needs and wants. The truth of the matter

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS

1907—“Over Thirty-nine Years of Service”—1946

APRIL 27, 1946

63

is that demand is so great that record-breaking production has thus far made little more than a slight dent in it.

There is little or no evidence to support the charge of hoarding. Dealers' shelves are stripped bare of needed merchandise as soon as it arrives and there is no chance to build up inventories. Everyone wants to buy the things which are scarce—even if their needs are not urgent.

To cite a typical example of what must be expected: There will probably be nearly 60,000,000 tires made this year. Of these between 12,000,000 and 15,000,000 will equip new cars, leaving only an average of two new tires for the 25,000,000 cars still in service. A lot more tires than that would be needed to fill replacement needs.

It is likely to be some months before production will catch up with demand, sufficiently to adjust the balance between too much money and too few goods.

STOCK SPLIT-UPS . . . The New York Stock Exchange is frowning on stock split-ups which seem to have no justification beyond a motive to whip up speculative demand. Before the Exchange authorities henceforth will list new issues created by this dilutive process, they promise to scan the company's record as a dividend payer, the pre-split price of its shares and all other pertinent factors.

That this step is highly constructive is apparent in viewing the recent wave of stock split-ups—more than 70 in the current year to date and more to come—some of which have been natural and desirable, while others obviously have reached a point of ridiculousness. When it is proposed to split the 1.4 million shares of United Drug Co., for example, selling at around 35 and receiving no dividends since 1937, this move would seem neither justified or desirable. No real additional value to the shareholders accrues from split-ups, but where a long and expanding dividend record has rationally pushed the price so high that potential new buyers are reluctant to acquire the shares, the market is broadened by increasing the number of shares. Even in such a case, stock split-ups do not always seem wise to the management, as for example in the case of American Telephone & Telegraph Co., stock of which is around 193 and paying a \$9 dividend. Walter S. Gifford, president of the company, said in response to a stockholder's query as to a possible split-up, "We do not see that the advantages outweigh the disadvantages. You can't fool the public or the regulatory bodies merely by changing the dividend rate. It makes little difference whether the holder has one share of stock paying a \$9 annual dividend rate or three shares paying \$3 each."

On the other hand dozens of strong companies with excellent dividend records have broadly expanded their stockholders' lists by the split-up route, with all arguments in their favor. Mr. Schram's action in announcing the new policies of the Stock Exchange on this subject deserves the highest commendation and confirms his reputation as one of the

wisest and most progressive leaders the Exchange has had in many years.

THE FUTURE OF OPA . . . By a vote of 355 to 42, almost ten to one, the House passed legislation extending the life of OPA until March 31, next. But House legislation left OPA with only a small vestige of its authority, and reports are that the Senate may enact an even more drastic measure.

If the House vote is representative, it clearly indicates widespread dissatisfaction with the administration of the OPA. We do not believe, however, that the members of the House acted judiciously, nor do we believe that the vote accurately reflects the wishes of the people—producers and consumers alike. The House has indulged itself in a shameless orgy of log-rolling. Modification along lines to permit effective administration and enforcement, with provision for a gradual easing of price controls, rather than complete emasculation of OPA at this crucial time, would assure an orderly and sound transition to peacetime prosperity.

To virtually remove all price controls now would inevitably start the inflationary race between prices and wages—with the defenseless majority squeezed in the pincers. Forthright industrial leaders and other responsible spokesmen have repeatedly endorsed the principle of OPA, urging only that its authority be more clearly defined and provisions made for its gradual demise as conditions permit. Such a program would have the wholehearted endorsement of everyone, with the possible exception of a small minority of selfish pressure groups and black marketeers. We hope that the Senate is more responsive to the wishes and hopes of the majority.

GOOD FISCAL NEWS . . . President Truman has announced that Government receipts for 1946 will be \$42,900,000,000 instead of \$38,600,000,000 previously estimated. This is something of a milestone marking, as it does, the first time in 15 years that fiscal prospects have turned out better than anticipated. Indications are that not only will the national budget for the 1947 fiscal year be balanced, but receipts may exceed outgo by as much as \$5,000,000,000.

The principal factor in improving the budget picture is the sustained high level of national income. Previous budget estimates were based on national income of \$140,000,000,000. From the evidence now at hand, however, it appears that a figure of \$160,000,000,000 will be closer to reality. Rapid demobilization is another reason. Moreover, tax receipts are running ahead of a year ago and disbursements from the Unemployment Trust Fund are not in excess of payroll tax income.

It is to be hoped that the Washington "spenders" will burn no midnight oil in devising ways and means of liquidating the budget surplus, but rather draw up a forthright tax bill for 1947 which will provide for reduced levies on both business and individuals. That would be good news, indeed.

As I See It!

By CHARLES BENEDICT

TEETERING WORLD PEACE

OUR PRESS HAS A WAY of dramatizing Russian utterances to such an extent as to make the world believe that we are being outmaneuvered on every turn. This is one of the worst possible impressions we could create since it unjustly causes loss of faith, as well as uncertainty regarding the possibilities of peace and the survival of democracy.

The fact is the democratic press has been unable to cope with the Russian technique developed over a period of fifty years or more by individuals who from their youth have been engaged in underground revolutionary movements, continuously at the risk of their lives and liberty. There is no more brutal way to sharpen the wits and develop ingenuity.

Stalin himself was one of these hunted and began his revolutionary experience in Tiflis and Batum. Thus, the area of the current dispute before the United Nations, as well as the psychology of the people there, is thoroughly familiar to him. Coming from a land overrun by the barbaric hordes from both east and west—where the horrors of the Turkish and Persian raids were handed down from generation to generation, his antagonism is clearly bred in his bones.

Our leaders, on the other hand, have not known life in all its brutality, but rather the give and take of free men in a secure world. Recognizing this difference, Russia accustomed to measuring her opponents by the most realistic standards, rode roughshod over us, while we apparently disbelieving our senses, made helpless excuses one after another to justify Moscow's procedure.

Today, alive to the truth, we are faced with a problem of the greatest magnitude, one that calls for a more sophisticated support by the press—for

Russia, using one maneuver after another, is attacking us all around the globe with the full force of her disruptive machinery.

While the United Nations is preoccupied with the struggle for power in the Mediterranean and the Near East, Russia is directly challenging the United States in China and Japan. In this part of the world Russia is our neighbor—our shores almost touch so that we come to grips directly and physically with the USSR.

We must face the fact that the civil war in China is an attempt on the part of Russia to destroy our influence in Asia and the Far East. To weaken the plan for an independent and economically sound China able to maintain a decent standard of living for its people—to revive an ancient culture and add its strength to the building of world peace.

Russia has never been sympathetic with this plan because she seeks mastery of Asia for herself and believes she can only accomplish this end by keeping China weak and impoverished.

For several decades Russia has been maneuvering for a disunited China politically—has fostered revolt in various provinces—and is now further seeking to throttle the economic life

of China—first, by disorganizing and destroying the industry of Manchuria—and second, by infiltration of communist elements supported by the Red Army.

It is this situation that has made it necessary for us to maintain such a definite and firm policy in Japan. Here, Russian antagonism is not only based on the fear of a Japan friendly to the United States, but on a dread of Japanese vengeance for Russia's treachery and stab in the back after the atom bombing of Hiroshima, (Please turn to page 116)

Some One Went This Way Before



Courtesy of New York Tribune Inc.

Market in Decisive Phase

The technical indications remain just fair, rather than emphatically favorable. The deepening threat of the coal strike makes it impossible to judge whether the tepid market response to the

House revolt against OPA has adverse significance. We remain selectively bullish, but numerous cross currents obscure near term outlook.

By A. T. MILLER

THE MARKET has gained a little more ground since our last previous analysis was written a fortnight ago, but its performance to date is far from dynamic. The Dow-Jones industrial and utility averages have bettered their former bull market highs by a modest margin, without inducing anything like a rush of buying. On the contrary, the "upside break-out" by the industrials, made week before last, was followed promptly by hesitation. The rails have improved slightly on previous rally tops, but are not yet within striking distance of the bull market high recorded early in February.

Quality of Leadership

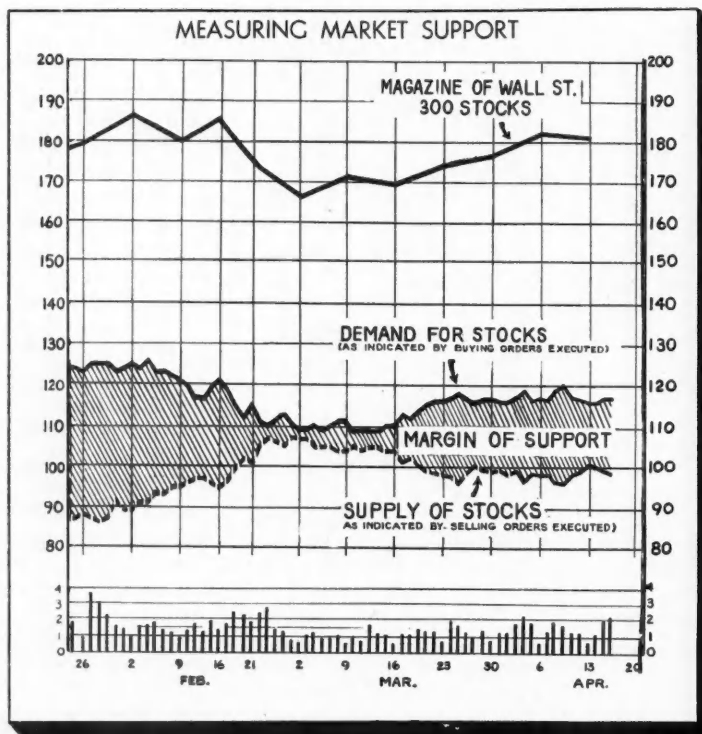
We have pointed out before that on the recovery from the intermediate-reaction low of the last week of February the better-grade stocks in general have led the market. It could be said that, on the whole,

investment confidence has been greater than speculative confidence. Our index of 100 high-price stocks has made a new high, surpassing the 1937 peak for the first time. On the other hand, the index of 100 low-price stocks still lags, although it has made up 68% of its decline against 54% two weeks ago. We have no quarrel with "quality leadership," but whether it is a bullish omen is something else again.

High-price stocks usually dominate the market only under one of two conditions: first, the initial advance from a bear-market low; second, a recovery from a severe intermediate decline. We have recently had the second condition—but the recovery, for high-price stocks, is now complete. That is, they are, by a small margin, in new high ground. But the reason the market is so tepid is precisely because it is for the present so largely an investment-demand affair. In short, it will take a revival of speculative demand to "keep the pot boiling." That may come in time. We think it probably will, but at the moment it is still the missing spark.

As far as they go, the day-to-day volume indications are more bullish than otherwise. That is, there is somewhat more activity on up days than down days. Nevertheless, volume has yet to get back to the pre-reaction levels. That is another way of saying that speculative demand has had a partial and incomplete recovery. A similar picture is presented by the chart on this page. The margin of support is bullish, but not as strong as so during the earlier weeks of the year. This, too, might change for the better, but it is for the future to reveal.

Why has speculative demand tended to lag? We are not sure of the answer to that question. Part of it might be that some of the chilling shock of the stiffest reaction since 1943 still lingers with some people. Part of it might be the absence so far of "rail confirmation" of the new high in the Dow industrial average, since the traditional Dow Theory has a good many followers. Whether it is something more



important, and not yet recognizable, will bear watching.

The Mixed News Factors

Probably the most sensible thing to do right now is to reserve judgment and avoid dogmatic opinions about near-term market prospects. The technical evidence, as we have seen, is not too emphatic. And the most important news events affecting the market are pulling, so to speak, in opposite directions — an environment which makes for limited visibility. We refer to the sweeping House revolt against OPA on the one hand; to the continuing coal strike on the other hand. The implications of the House vote on OPA are inflationary. We do not think they are as inflationary as the disappointed OPA officials immediately proclaimed. But our new is beside the point. The general public, according to the polls, has believed that OPA was a vital bulwark against a cost — as contrasted with the previous creeping — price inflation. Why did not the general public show more interest in common stocks when the news broke? There might be two answers to that question, or, rather a combination of two acting together.

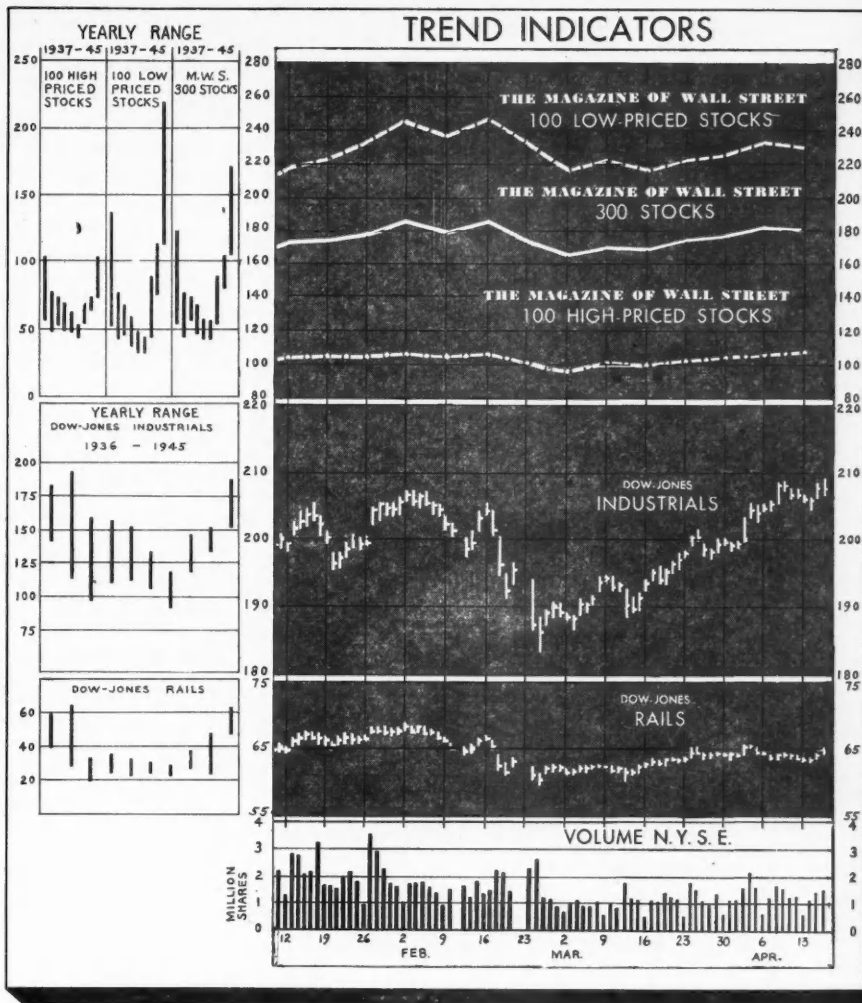
One could have been doubt, or uncertainty, about what the Senate will do on the OPA legislation, although by now it seems clear that, at best, this agency can not have an extension of life without substantially modified powers. The other might be the coal strike. This shows no signs of early termination, and it is pinching a number of industries — most notably steel — more with each passing week. It is generally believed that no settlement is likely before another two to three weeks, it is feared that it might be longer, and the threat of industrial paralysis, making further inroads on none too good first half-year earnings, is recognized.

It would not be surprising if the end of the coal strike and the final word on OPA legislation came fairly close together. If so, the test for the market would be pretty clear cut. We think it ought — and probably will — be met with an emphatic extension of the major rise; but we will say right now that an indifferent response could not fail to give any intelligent bull really serious concern for the future of this market. We emphasize this possibility, because some time the market will begin to wither, while business and earnings still look good to the naked eye. The fact is that nobody can know whether the remaining life of this bull market, already the third

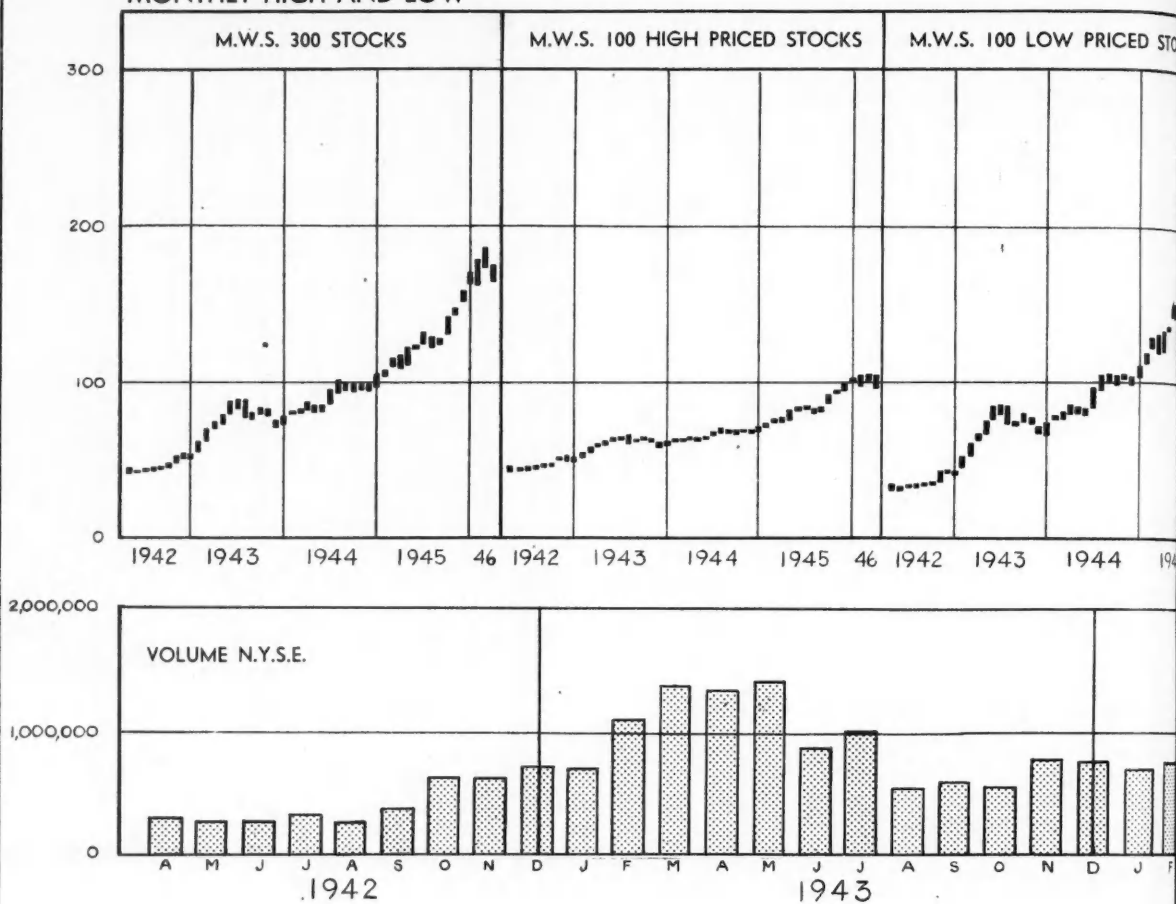
longest on record, will be surprisingly long or surprisingly short, or somewhere in between, but still surprising to most people when the end comes. There is available enough money to finance the greatest speculative market extravaganza in history; but speculative money lacks courage and would promptly go into hiding at the first sign of storm signals.

But on one thing there is not any doubt. As has been pointed out by President Emil Schram, of the New York Stock Exchange, the net effect of all the well-intentioned Federal regulations of the market has been to make for greater "thinness" than ever before. Some day it will come home to roost, probably with the fastest big break ever seen. Without predicting what will happen, since we are not clairvoyant, we could imagine one losing more money by overstaying this market by, say, one month, than by liquidating speculative holdings six months to a year before the peak is made.

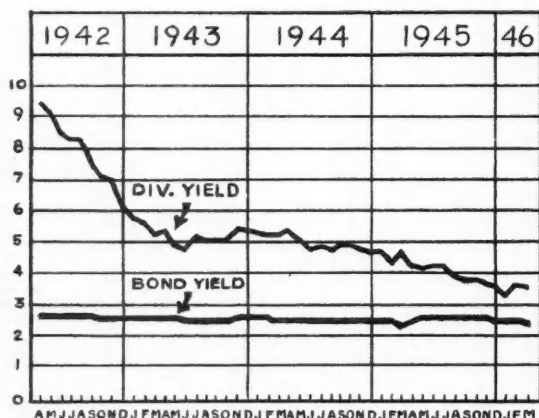
For the reasons cited heretofore, we do not have much conviction about the near-term trend, one way or the other; but we think the probabilities favor eventually higher prices. Hence there is no change in our selectively bullish, middle-road investment policy. — Monday, April 22.



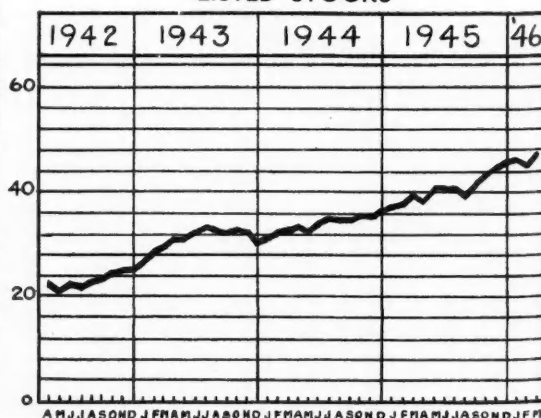
MONTHLY HIGH AND LOW



TREND OF BOND AND STOCK YIELDS

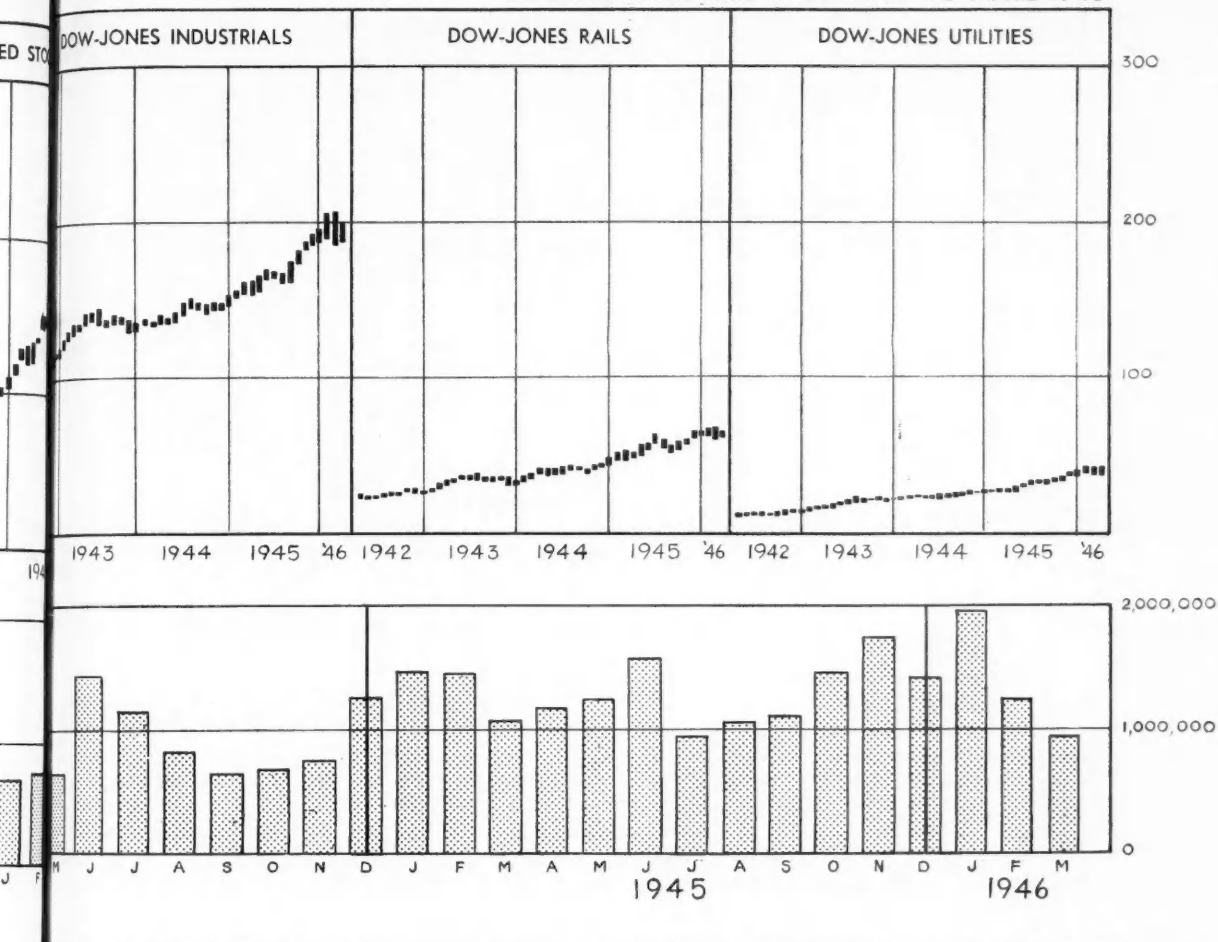


AVERAGE MARKET PRICES ALL LISTED STOCKS



YEAR MARKET

LEADING AVERAGES—APRIL 1942 TO APRIL 1946



THE MAGAZINE OF WALL STREET COMMON STOCK INDEX The 1942-6 Bull Market

GROUP (1925 Close—100)	1942 Low	1945-6 High	1946 Apr. 13	% Rise 1942 Low to 4-13-46
Agricultural Implements	72.7	236.7	226.8	212
Aircraft (1927 Cl.—100).....	123.8	284.4	252.2	104
Air Lines (1934 Cl.—100)....	178.4	1290.9	1049.9	483
Amusement	27.0	203.3	203.3	653
Automobile Accessories	70.4	336.2	297.3	322
Automobiles	7.1	62.2	57.3	707
Baking (1926 Cl.—100)	5.0	26.0	24.3	386
Business Machines	81.7	325.0	319.0	290
Bus Lines (1926 Cl.—100)....	38.2	202.4	191.9	402
Chemicals	126.3	270.8	270.8	115
Coal Mining	6.0	32.4	27.9	365
Communication	30.6	100.2	84.6	176
Construction	16.4	79.6	78.7	379
Containers	138.4	436.8	429.4	213
Copper & Brass	58.6	141.8	124.8	113
Dairy Products	25.5	79.6	79.6	112
Department Stores	12.4	118.5	116.4	842
Drugs & Toilet Articles.....	37.1	262.8	262.8	608
Finance Companies	99.5	308.3	301.7	203
Food Brands	60.6	227.8	226.5	272
Food Stores	32.2	92.3	88.8	176
Furniture	23.7	118.3	118.3	400
Gold Mining	315.4	1346.1	1098.5	249
Investment Trusts	13.8	82.3	82.3	495
Liquor (1927 Cl.—100).....	137.5	1185.8	1092.6	795
Machinery	67.9	206.4	201.1	296
Mail Order	45.2	193.8	193.8	329
Meat Packing	29.5	123.1	117.6	299
Metals, non-Ferrous	100.0	299.7	264.7	165
Paper	8.5	41.8	41.8	392
Petroleum	59.8	208.8	208.8	249
Public Utilities	13.7	158.5	155.3	1034
Radio (1927 Cl.—100).....	5.9	42.0	35.9	509
Railroad Equipment	28.6	110.6	99.3	246
Railroads	7.6	40.8	35.2	332
Realty	1.9	56.7	42.9	2158
Shipbuilding	80.0	178.8	166.5	108
Soft Drinks	118.0	614.0	593.5	403
Steel & Iron	53.1	145.6	132.7	149
Sugar	26.5	88.9	85.3	222
Sulphur	137.5	277.3	277.3	117
Textiles	24.4	162.3	159.5	554
Tires & Rubber	7.9	51.9	50.6	545
Tobacco	40.7	97.3	97.3	139
Variety Stores	147.7	378.7	378.7	156

Unclassified (Not comparable from one year to another.)

PLANNED MODERNIZATION

To Meet . . .

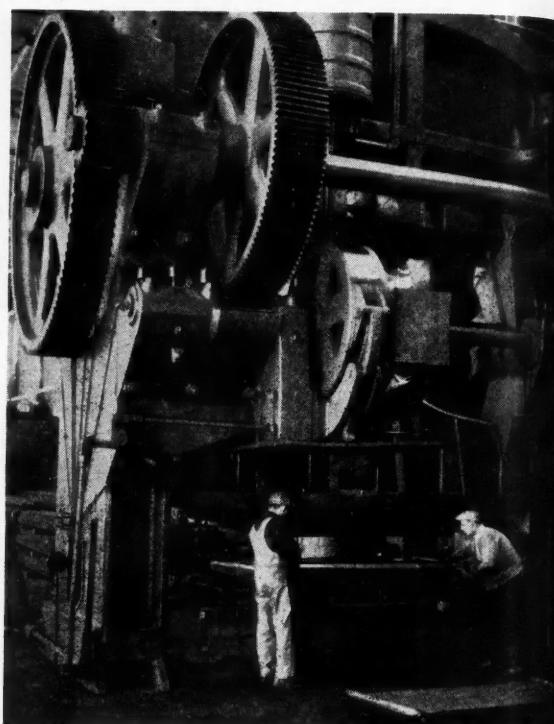
World Competition

By WARD GATES

MAIN HOPE OF industrialists all over the globe appears to rest upon better and better machinery. To this end, mechanical engineers and cost accountants, while seldom mentioned in the daily news, are working overtime in the all-out race for full production and world recovery from the impact of war. Upon the shoulders of these trained specialists centers the burden of pulling civilization out of its current numerous troubles, the task of guiding industry at home and abroad towards an era of prosperity and abundance.

The United States, as the leading exponent of mass production for decades past, has taught all nations how power-driven machines of top efficiency are the only levers which can boost national income on one hand, conversely lower the price of a product and yet permit a satisfactory profit to shareholders as long as demand warrants high level output. In support of this premise, the Census Bureau figures that about a hundred years ago, the average weekly wage of the American worker was under \$5 and the investment in machinery for his use came to about \$500. Today as a result of equipment averaging close to \$7,000 per worker, his income has increased about tenfold while tires, for example, which cost him \$50 or more twenty-five years ago are now priced at less than half that sum, and electric light bulbs which once cost him 60 cents can now be purchased for a dime. It would be possible to cite an endless list of similar goods in everyday demand which, despite better quality, have trended down in price to contribute to the record high standard of living in America. Meanwhile, as everyone knows, liberal profits have accrued to shareholders to innumerable concerns mechanically geared to turn out all these products. All of which attests to the basic credit due to producers of the capital goods which have proved the system workable to date.

Under current conditions, different as they are in all sectors of the world, modernization of industry has become a by-word, even though in more backward nations such as China and India, the



In the looming competitive battle, new and modern machinery will be a decisive factor.

program will have to start nearly from scratch and may require decades for development. In Latin America it would be hard to name a country which has not already made a substantial headstart in the establishment of new, up-to-date industries, from giant steel mills in Brazil to huge textile plants in Venezuela and Colombia. In the Southern Hemisphere, steps taken to date along these lines are only a feeble symbol of more rapid industrial expansion planned for near term years, and to achieve any progress at all the main problem will be to acquire adequate equipment for their operation.

So enormous are the industrial modernization plans of mysterious Russia, that despite her widespread removal of factory equipment from many of the over-run countries now under her sway, and her own increasing ability to manufacture capital goods, the machines supplied her under Lend Lease are a mere drop in the bucket compared with those she will attempt to import in the near future. And as is the case with many foreign nations, Russia's need for heavy capital goods is by no means confined to machinery for her factories; equally important in the tally will be locomotives, pumps, engines and generators to provide transportation and power.

Already hundreds of locomotives have been ordered by France from American suppliers, and the

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number may swell into the thousands to replace the rolling stock lost in the war or rendered useless by excessive wear and tear. And when it comes to machinery, French demand has become highly expressive, for only years of industrial restoration and upbuilding can assure a return of prosperity to this war-weary nation. Same thing might be said of all the other countries in Europe, some of which enjoyed a well developed manufacturing economy in prewar, although others less fortunate have only now envisaged the urgent need to make more goods. Fact is in every case that aside from mere essentials to sustain their own populations at minimum living standards, imports will be required to furnish items impossible to produce at home. To pay for these latter in the long run, production must expand to include goods readily marketable in other lands, either through low prices or unique appeal, and to implement the program acquisition of machinery will loom up as a major problem.

Now let's take a look at the situation here in the United States. During the decade prior to the war, well known for its depression characteristics, industry generally lagged in its long range goal to replace obsolete equipment. At the outbreak of war, of course, there was an immediate rush to bring facilities up to date and to equip hastily-built new plants with the most modern machinery science could devise and supply. To this end the Government spent billions on its own account for machines and tools to manufacture the military specialties needed to win the war, and under the stimulus of war, designers of machines are said to have made strides which would have taken a decade or more to accomplish in normal times.

To cite one of thousands of technological improvements, the production rate of bombs was doubled by a spinning process which whirled a white-hot steel bar 1,000 turns a minute to shape the item's nose, where formerly a number of steps had been necessary. Time consuming and costly operations for consecutive boring, drilling, reaming and surfacing of heavy units have been replaced by the advent of specially designed, multiple, giant machines which can do the jobs all at the same time. Improvements in casting methods have made possible the saving of thousands of operations in the formation of the body frame for a huge locomotive. Only eleven miracle machines are now required to produce all the electric light bulbs used by the entire nation. Electronics now dry the paint on a newly finished automobile in a matter of minutes. All in all, to relate the advance of technology in recent years would require volumes, and at that the story would never become complete, for science has achieved a momentum which gives birth to ever new technological improvements in machines, processes and materials, applicable somewhere along the line in the production of all capital and consumer goods, both durables and non-durables.

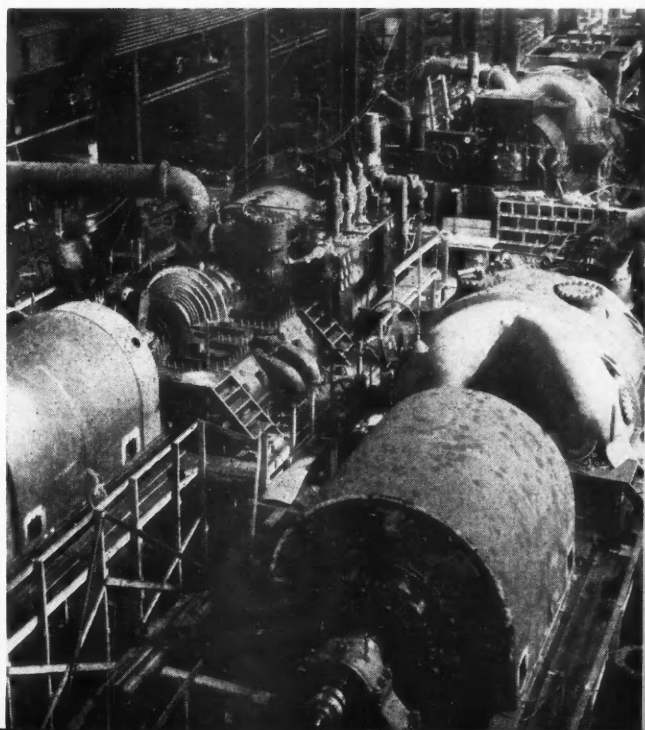
The Challenge of Rising Costs

Despite all the current anxiety of management over the forced upward trend in wage and material

costs, profit opportunities, if not salvation, are likely to appear in renewed reliance upon the ingenuity of technicians and the skill of cost accountants in predetermining the efficiency of machines. And here in America where we have the "know how" and record industrial capital resources, the challenge of mounting costs may be ably met, given a little time to implement the modernization trend and to shake off Government controls. During the decade prior to the war, mechanical progress lagged in the wake of a prolonged industrial depression, and manufacturers limped along as best they could with out-moded equipment. With both depreciation and obsolescence taking an abnormal toll of machines under the stress of three-shift military operations for four years, the necessity for replacements on a tremendous scale to meet competition in and after the promised boom is apparent.

To considerable extent, of course, industry has made vast strides in expansion and modernization during war years, but it is only necessary to read annual reports for 1945 to grasp the extraordinary expenditures along these lines planned for the near future. Even in the last quarter of 1945, mainly after V-J Day, outlays of \$1.1 billion, disclosed by the appended table, herald the beginning of the march towards modernization. While new plants account for a substantial part of the contemplated improvements, managements on every hand announce substantial sums allocated for the replacement of machines by the most up-to-date models. Soberly appraised, these constructive policies point to an awareness that while present equipment may be in first-class condition, potential savings in operating costs warrant the substitution of new machines to speed up schedules to ever new highs. Indubitably, the manufacturer unable or loathe to keep up with

Replacement of obsolete and inefficient machinery is fast becoming an industrial "must".



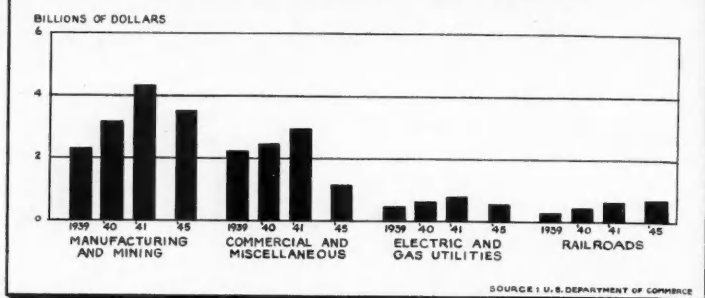
his competitors in cost controls during the approaching struggle is going to be placed on a tough spot, and it is going to require courage in many instances to dispose of perfectly usable equipment for replacement by more efficient items.

It is at this point, however, that the upsurge of modernization in other parts of the world could well serve to alleviate some the problems attendant upon machine replacements here in the United States, not to mention accelerated disposal of the huge quantities of machinery and tools now held as surplus by the Government. In many of the foreign countries planning industrial development on a broad scale, slim resources and low labor costs combine to favor the acquisition of second-hand equipment, provided that it really is in serviceable condition. In view of the fact that numerous capital goods, moreover, are either built to order or require from three to eighteen months for construction, world-wide and expanding demand for heavy machines is apt to create a serious bottleneck which might require years to eliminate.

To ease the current pressure by foreign buyers already expressing itself to siphon away new machinery needed by American manufacturers, Washington has recently been obliged to request France, for example, to buy equipment confiscated by the Allies in Germany rather than to shrink our narrow supply here at home. Where necessary, however, the Export-Import Bank is prepared to loan foreign countries immense sums for the purchase of American-made machinery, and there is no reason why encouragement should not facilitate, if not enforce, the buying of good second-hand equipment rather than the newest models. Indeed, the French Government itself in many cases has limited the import of machinery by its nationals to concerns willing to dispose of less desirable equipment. There seems to be no argument that such policies could not be made to work both ways. Certainly clear is it that if foreign markets could absorb much of our domestic used machines, the salvage for our manufacturers would be greatly enhanced. To the extent that such a program would prove impractical, it would seem desirable to stimulate replacement of equipment by our manufacturers, by Government permission to accelerate amortization for tax purposes, as was done in wartime.

Expanding activities by the Export-Import Bank and the new Bank of International Settlements will greatly improve potentials for exporting new or second-hand capital goods to all countries through the globe. Not only will they function to assure prompt payment for sizeable shipments of machinery sold by American manufacturers and dollar exchange provided for the purpose, but they will incidentally contribute to the industrial growth of the nations

EXPENDITURES ON NEW PLANT AND EQUIPMENT BY UNITED STATES BUSINESS 1939-41 AND 1945



(Millions of dollars)

	1945							Total
	1939	1940	1941	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	
Manufacturing & Mining	2,310	3,050	4,090	580	730	960	1,100	3,370
Railroad	280	440	560	120	140	200	150	610
Electric & Gas Utilities	460	640	800	90	110	170	190	560
Commercial & Miscel.	2,130	2,360	2,840	220	280	310	340	1,150
TOTAL	5,180	6,490	8,290	1,010	1,260	1,640	1,780	5,690

Source: Survey of Current Business, January 1946.

involved. Thus these banks will serve a dual and constructive purpose. Furthermore, no loophole will be left open for diversion of huge sums advanced into channels not clearly defined by the terms of the loans, as sometimes happened when private bankers after War I more casually established large credits for foreign nations. In other words, if loans are granted to buy machinery, machinery and nothing else can be purchased.

Broadly viewed, the well-marked prospects for modernization in the United States are heartening to consider, not alone for the users of improved machines but for their mak- (Please turn to page 110)

Cross Section of Industry's Plans for New Plants and Equipment

American Brake Shoe	\$ 12,500,000
Bethlehem Steel	134,000,000
Borg Warner	30,000,000
Caterpillar Tractor	50,000,000
Dow Chemical	15,000,000
DuPont	100,000,000
General Electric	200,000,000
General Foods	17,000,000
General Motors	600,000,000
Hercules Powder	30,000,000
Illinois Bell Telephone	160,000,000
International Harvester	145,000,000
Kaiser-Fraser	35,000,000
Monsanto Chemical	75,000,000
National Dairy	75,000,000
New Jersey Bell Telephone	100,000,000
New York Telephone	350,000,000
Public Service of N. J.	17,000,000
Sinclair Oil	90,000,000
Standard Oil of Indiana	150,000,000
United States Steel	218,000,000
United Air Lines	60,000,000
Union Carbide & Carbon	50,000,000

Recasting Status

of UTILITY HOLDING COMPANIES

—With Death Sentence Upheld

By EDWIN A. BARNES

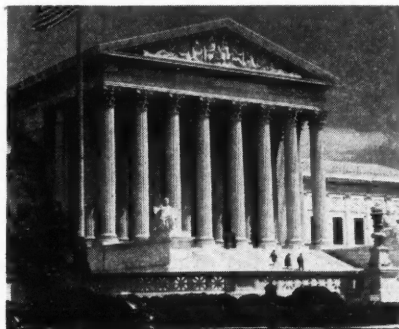


Photo by Ewing Galloway
U. S. Supreme Court has upheld dismemberment of utility holding companies

THE UTILITY holding companies were mainly created in the 1920's, though some of them date much further back. Most of them resembled a jigsaw puzzle geographically, with the pieces scattered over a number of states; and financially some of them were many-storied structures with holding company over holding company, to as many as eight or ten in a few extreme cases. In 1935 Congress decided that the whole structure needed cleaning up—despite the fact that some holding companies were doing a good job and had been soundly financed.

As usually happens when promotion has been given too much leeway, a law was enacted on a strict and narrow basis, applicable to good and bad companies alike. The SEC, charged with enforcing the law, has found it a tough job to interpret and enforce its provisions. After a decade of investigation and exploratory work, death sentences, etc., the SEC has finally accomplished part of its program, though much remains to be done. The recent Supreme Court decision in the North American case (to be followed by decisions in three other cases) sustained the constitutionality of the Act and may help expedite integration plans now before the SEC and the courts.

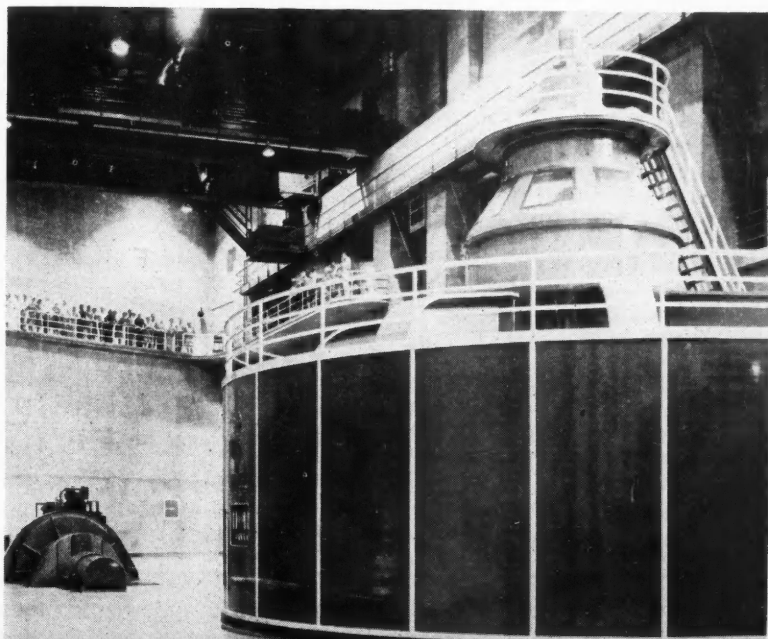
The major difficulty encountered by the Commission has been the sharp rise in the value of utility operating company stocks in recent years, which made its "yardstick" formulas out of date before they could be enforced by a Federal Court. In formulating integration plans several years ago, the SEC (and the companies) used the prevailing market prices and price-earnings ratios as the basis for valuing holding company portfolios and apportioning the assets to the various classes of securities. The "packages" as-

signed to senior securities advanced sharply in value, however, and junior security holders put in claims for a larger share of the assets. Thus, it has been necessary to revise some of these plans time after time, the latest plan never quite catching up with the market. Now, however, some plans are being made on a more flexible basis as to exchange terms and should prove more workable. The main difficulty has been the long delays in both the Commission and the courts; and these appear likely to continue unless the present thoroughgoing methods of investigation and negotiation are streamlined and speeded.

Following is a summary of the position and outlook for the larger holding companies:

AMERICAN LIGHT & TRACTION is an old, seasoned dividend-payer with uninterrupted payments since 1904. Having sold its principal electric subsidiary, San Antonio Public Service, some time ago, the remaining subsidiaries are principally gas

In reality, the "death sentence" of public utility holding companies will deal less severely with security owners than anticipated.



companies in Michigan and Wisconsin. The company has been trying to obtain SEC and FPC permission to build a pipe-line from the mid-continent field to supply its gas requirements; there has been some friction, apparently, with Panhandle Eastern Pipe Line, which is now supplying all its gas. However, the SEC has been reluctant to keep the holding company alive for this purpose, and details for subsidiary financing of the pipe line have apparently not been ironed out as yet.

Another factor which has delayed liquidation has been the question of how the non-callable preferred stock should be paid off. American Light and Traction has plenty of liquid assets—it still retains the cash from the sale of San Antonio Public Service and it has a large block of Detroit Edison held as an investment. The preferred stock is entitled to only \$25 per share "in dissolution," but since this is a forced dissolution, the preferred stockholders claim that they should get a price reflecting the "going value" of the issue. Based on present yields of new issues this might work out at 40 or higher. The SEC is now considering this question and informed opinion seems to be that the price fixed may be a compromise somewhere between 25 and 40—possibly around 32. When this is settled and the pipe line question disposed of, the remaining assets will be distributed to the common. It is thought possible that the liquidating value of the portfolio might eventually work out at some 5-10 points above the recent market price, particularly if the pipe-line project proves feasible and profitable.

AMERICAN POWER & LIGHT during the past year has made a great deal of progress with

system rehabilitation. The parent company's bonded debt has been retired. Central Arizona Light and Power has been sold to the public. Texas Electric Service and Texas Power & Light (together with Dallas Power & Light acquired from the Electric Power & Light system) have been grouped together under a new sub-holding company, Texas Utilities Company.

Company is supposed to sell its interest in this new holding company by October 24th this year, but it is possible that an extension of time might be requested and the company will probably follow the new style of integration and attempt to retire the preferred stock through an exchange offer, using Texas Utilities common and other securities. While the common stock equity in some of the other scattered holdings may be rather small, Washington Water Power, Montana Power, Florida Power & Light, and Kansas Gas & Electric yield substantial dividend income. With completion of plant write-offs, refunding operations and other changes in capital structure, together with tax savings under the new law, earnings are expected to show a substantial improvement. It is difficult at this stage to estimate eventual liquidating value for the common stock; if the preferred should receive the redemption price plus arrears, this might take substantially all the assets at their present values. The integration program will be slow since much work remains to be done to "streamline" the subsidiaries and work out substantial values for the common stock. This can probably be done if present trends continue.

AMERICAN WATER WORKS filed its second integration plan recently. The new plan contemplates separation of the water and electric properties, selling the new "Waterworks Holding Company" common stock to its own common stockholders. The new holding company would also sell some debentures. The top company would retire its own debt and preferred stock. The sub-holding company controlling the electric part of the system, West Penn Electric Company, would then be disposed of by distributing the common stock to American Water Works common stockholders, and the parent company would dissolve.

Company's problem has always been to raise enough money to retire either its own senior securities or those of West Penn Electric. Whether the new plan will be approved by the SEC as readily as the

	Price Range		Recent Price	1945 Dividend	Dividend Arrears
	1945	1946			
American Gas & Electric	46 1/8- 31	49 3/4- 40 1/8	49	\$1.90	.....
American Light & Traction.....	26 3/4- 17 1/2	29 1/8- 24 3/8	28	1.20	.....
American Power & Light, \$6 Pfd.....	104 1/8- 60 1/2	126 1/2- 97 1/4	125	.....(c)	\$43.57 1/2
American Power & Light, \$5 Pfd.....	95 3/4- 54 3/4	115 3/4- 88 3/4	115	.....(d)	36.31 1/4
American Power & Light, Common.....	13 1/2- 2 1/2	20 1/8- 10 1/8	17	.....	.....
American Water Works & Elec.....	26 1/8- 8 1/4	27 1/2- 22	27	.....	.....
Columbia Gas & Electric.....	11 1/2- 4 1/8	14 - 9 1/2	13	.20	.....
Commonwealth & Southern, \$6 Pfd.....	124 1/2- 89	132 - 123	126	5.00	29.00
Commonwealth & Southern, Common.....	4 1/4- 1 1/8	4 1/2- 2 3/4	4 1/4	.....	.....
Electric Bond & Share, \$4.20 Pfd.....	80 1/2- 73	78 3/4- 75 1/2	77	36.00	.....
Electric Bond & Share, \$3.50 Pfd.....	76 1/2- 70 3/4	77 1/2- 72	75	35.00	.....
Electric Bond & Share, Common.....	21 1/8- 9 1/2	25 1/8- 18 1/8	25	.....	.....
Electric Power & Light, \$7 Pfd.....	158 - 109	172 1/8- 148 1/2	169	.....(b)	89.71 3/8
Electric Power & Light, \$6 Pfd.....	146 - 103	158 - 137	155	.....(c)	76.90
Electric Power & Light, 2nd Pfd.....	145 - 70	157 - 139	157	.....	94.25(g)
Electric Power & Light, Common.....	19 1/8- 3 3/8	26 1/8- 17 1/4	26	.....	.....
National Power & Light.....	14 3/4- 7 1/4	12 1/4- 9 1/4	11	.....	.....
Niagara Hudson Power	9 1/2- 3 1/4	13 - 8 1/8	13	.....	.....
North American Co.....	31 1/8- 19 1/2	35 1/8- 29 1/4	35	1.49(a)	.....
Standard Gas & Elec., \$7 Pfd.....	134 3/4- 78 3/4	149 1/2- 125	148	.....	81.90(e)
Standard Gas & Elec., \$6 Pfd.....	121 - 67 1/4	135 1/2- 114	132	.....	70.20(e)
Standard Gas & Elec., \$4 Pfd.....	33 3/8- 2 1/4	51 1/2- 30 1/8	50	.....	50.50(f)
United Light & Railways.....	27 1/8- 14 1/2	31 1/2- 25 1/2	30	1.00	.....

(a) Or stock. (b) Pd. \$1.75 in 1946. (c) Pd. \$1.50 in 1946. (d) Pd. \$1.25 in 1946.
(e) As of 10/25/45. (f) As of 11/15/46. (g) As of 1/1/46.

first plan (which proposed sale of additional common stock or convertible bonds) remains to be seen. Opinion regarding the new plan appears to differ—one underwriting firm specializing in utilities holds that the plan does not eliminate all the weaknesses in the capitalization, while another estimates potential liquidating value for the common stock at between \$46-\$50 a share if the plan is consummated.

COLUMBIA GAS & ELECTRIC'S basic problem is to separate the electric and gas properties and perhaps make some minor changes in the natural gas system set-up. It has elected to dispose of the electric properties, Cincinnati Gas & Electric and Dayton Power & Light. Common stockholders will be given rights to subscribe to these equities. The parent company will refund its outstanding bonds, and retire its preferred stocks. Common stockholders would then retain a holding company equity in an important natural gas distributing system covering the northeastern section of the United States. Thus far the SEC has apparently raised no objection to the extended area served by the system.

Columbia Gas has, however, a huge number of common shares outstanding (12,223,256) and this combined with the proposed elimination of the substantial preferred stock issues considerably reduced "leverage" possibilities. While appreciation possibilities are perhaps thus limited to the 15-20 range, the stock's investment standing will naturally improve when the program is completed.

COMMONWEALTH & SOUTHERN common stock, despite the vast number of shares outstanding (33,673,000) has some leverage possibilities. The system is a very heavy beneficiary of the new tax law and has also gained substantial refunding savings. Earnings this year are running far above last year's level. Recent estimates place the potential break-up value at around \$8-11 a share, but this may be a little on the optimistic side, since it doesn't seem to make much allowance for possible rate cuts and increased costs.

Under the company's new plan recently filed with the SEC, however, there may be a considerable delay in completing integration plans. The company proposes (with reservations) to sell the two smaller northern subsidiaries and make a public sale of a relatively small amount of new common stock of Consumers Power and Ohio Edison and thus establish a market value for these latter stocks. A sub-holding company would be set up for the southern group of subsidiaries, and this company would likewise sell a small amount of stock, thus fixing its market value. With the value of the portfolio thus actually appraised in the market, the company would be ready to exchange the northern stocks for its own preferred stock with arrears. If this program moves smoothly, the common stock would retain the southern holding company equity, perhaps plus some part of the value of the northern group—though the northern companies would have to be completely divorced for integration reasons.

The SEC hasn't indicated its reaction to the new plan yet.

ELECTRIC BOND & SHARE is the world's largest utility holding company but it will eventually probably dispose of all its holdings in American Power & Light, Electric Power & Light, National Power & Light and American Gas & Electric. Part of the preferred stocks have already been retired by a payment of \$30 on each share, and these issues, which do not carry any arrears, will be completely retired at some later date—probably by exchange for American Gas & Electric, and Pennsylvania Power & Light stocks. This will leave the common stock with an important interest in American & Foreign Power and Ebasco Services, plus such other equities as are distributed direct to stockholders after retiring the preferred.

Since there is still a great deal of integration work to be done, it is difficult to make any careful estimate of the eventual liquidating value of the common. This will depend to a considerable degree on the outcome of the American & Foreign Power program. Present parent company earning power is insufficient to meet preferred dividend requirements, so that there is only a remote possibility of dividends on the common stock pending consummation of the numerous integration plans of subsidiaries.

ELECTRIC POWER & LIGHT has made rapid progress in the past year in "cleaning up" subsidiaries, carrying through extensive refundings, etc. The earnings picture has enjoyed a complete metamorphosis—from 20c a share reported in 1943 to \$1.57 a share in the 12 months ended November 30, to which can now be added the benefits of extensive tax savings. It is proposed to exchange the company's huge share holdings in United Gas for the preferred stocks with arrears. The company has wisely left the exchange ratio flexible so that the swap can be made on the basis of prevailing market prices. At the recent price around 19 for United Gas, the full amount should not be required to satisfy preferred stockholders' claims and there would be something left over for the common, which in addition would retain the equity in four interconnected southern subsidiaries—Arkansas Power & Light, Louisiana Power & Light, Mississippi Power & Light and New Orleans Public Service. The future value on this basis might be in the range of \$30-\$40 a share, it is estimated.

NATIONAL POWER & LIGHT has very little market leverage and the stock has remained within a relatively small range over the past year or so. However, valuable rights were given stockholders when the company disposed of the major portion of its holdings in the largest of its subsidiaries, Pennsylvania Power & Light. Final liquidation, with distribution of remaining holdings of that company and of the entire equity interest in Birmingham Electric and Carolina Power & Light, should be consummated in the not distant future. The company some time ago retired its senior securities. The stock may have some (Please turn to page 116)

Happening in Washington

Photo by Cushing

By E. K. T.

THE FUTURE WORLD is taking shape to the satisfaction of most State Department chiefs despite the fact that the march toward international cooperation has been abruptly halted on several occasions. Those interruptions were expected, say Department spokesmen; they admit frankly United States, United Kingdom and Russia can never be expected to live in perfect harmony while basic tenets of government clash. But that doesn't mean war, and none is expected, they assure. Likelihood that

WASHINGTON SEES

Unless Congress takes steps to bring about important changes in regulations governing National Service Life Insurance, the policies issued by the government during the war will not remain in force long enough to affect seriously the business of private underwriters.

That prediction is supported by statistics which will be received with some amazement by the general public but which probably will not surprise the old line companies. Service policies were taken out largely because the insured men recognized an immediate hazard, and rarely for the investment attraction.

More than eighteen million policies were purchased by the fifteen million members of the armed forces. Face value was about 150 billion dollars, which approximates the amount of life and endowment insurance now on the books of all private companies. But only 250,000 of the wartime national insurance policies have been converted into long-term or lifetime contracts.

The rate at which this type of insurance is being permitted to lapse has aroused congressional interest. There appears to be no single basic objection on the part of the veterans. Certainly it cannot be the cost. Early inquiry into all of the circumstances can be expected, followed by some effort to make conversions more attractive.

atomic bomb secret will be entrusted to a world organization is bringing Soviet around to more friendly attitude, but State Department expects stand-offish treatment from Moscow until that becomes a reality.

WHEAT PURCHASE methods newly created by this government sets the pattern for future procurement in time of emergency. Under the plan, farmers can sell today and consider the price received as income of this year or next, for tax purposes. Growers would prefer to hold in storage rather than go into higher tax brackets while present rates prevail. They're betting on lower levies in 1947. Agriculture has sufficient votes in Congress to bring about the decrease. And, once the policy is established difficulty may be expected if the same treatment is denied non-agricultural sellers to Government.

INEPTNESS in the operation of Democratic National Committee headquarters is cutting short the days of Robert E. Hannegan's chairmanship. Several subordinate employees were disciplined following the mass criticism of Southern Congressmen but satisfaction was not full. Then came "one of those unfortunate things"—a letter from committee headquarters asking local chairmen to encourage strong candidates to file for Congress in districts already represented by party members. Hannegan is getting the blame even though he was hundreds of miles from Washington during the happenings. He's ill; will probably bow out soon.

STASSEN presidential stock is booming. The former governor of Minnesota overshadowed Republican party elder statesmen at the national committee meeting here although B. Carroll Reece, Bricker wing candidate, won the chairmanship. Came the Gridiron Dinner and Stassen was selected as the "Opposition Speaker" (the club always is addressed by one leader of the party out of power). The role is a valued one; a political springboard to newspaper prominence, a chance to "sell" oneself to an important gathering of national notables.

AS WE GO TO PRESS

Long talked about, reduction of Federal payrolls is about to become a fact. A coalition in both house has agreed to support riders to all appropriation bills establishing personnel ceilings in the agencies. In that way, lump sums will be granted for payroll, departments must keep within them, separate employees if necessary.

Objective will be to set the Government back to the size it was in December 1940, when it had about one million employees. Decline from the present force—about 2,400,000 civilian workers—will be set at the rate of eight to ten points per month.

Republican high command has hope of persuading Rep. Clare Luce to abandon her plan to quit Congress at the end of the current session. Reliance is placed upon petitions being circulated in her home district pleading "don't retire in this

dangerous hour." GOP bigwigs hope La Luce will use woman's prerogative to change her mind. Odds are against it.

Government agencies are working together on studies to revive traffic on the inland waterways. Emphasis is on increased efficiency and lower cost of package freight transportation. On rivers, canals and connecting channels, package handling has been halved since the last pre-war year.

Requisitioning of vessels for wartime service was a major factor in the business decline, but inadequate terminal facilities also contributed. Studies show normal service on bulk commodity handling can be resumed speedily. Federal assistance in procuring vessels may be needed to revitalize the package freight trade.

Tinplate presents the most serious problem of supply confronting industry. Since settlement of the steel strike mills have delivered a terrific job — plate production has gone up to 89 per cent of capacity.

Stoppage of soft coal production could reverse the picture in direct proportion to the tonnage not mined during the labor dispute. Certainty is that commitments to foreign countries must be scaled down sharply or domestic industry must go without. Estimates of home needs plus promises to foreign countries add up to 90,000 tons over anticipated production.

British, meanwhile, are using their steel and tin to make automobiles and other consumer goods for the export markets. There's almost no tinplate production. This government will ask Britain to resume plate making, supply its normal prewar markets. There will be resistance on the theory that British economy cannot hold up without the export market.

Confusion current throughout the country as to what industrial and business construction may be continued, what must be stopped to give right-of-way to veterans' home building now is backing up on Washington. Civilian Production Administration and Federal Housing Administration are throwing up their hands.

Enforcement machinery is still in the idea stage; the Wyatt stop order was issued before a sufficient administrative staff could be set up and briefed on the rules. Result is that builders, contractors, businessmen and the public generally are looking to Washington for the answers. And there won't be any answers for several weeks at least.

Featherbedding and all its implications are coming in for lively attention, spurred by success in putting the Petrillo Fill through Congress. Washington has been

frustrated in its attempts to take labor unions to task for antitrust law violations; agencies have had no cooperation from Congress in that direction.

Latest move will be to turn the publicity spotlight on some of the skullduggery that exists, organize public opinion against it. Gen. Albert J. Browning, new chief of the Office of Domestic Commerce has set out to "call the shots" on restrictive practices of unions which outlaw new equipment and machinery, limit the amount of work a man may perform.

First focus will be on the union prohibition against spray painting. Department of Commerce has no punitive powers to invoke but it intends to inform localities what goes on, what it means in dollars and cents to the public, specifically to the home owner.

Normalcy note: Office of Price Administration has released this announcement: "Higher ceiling prices have been established for Quebracho extract, urunday extract, myrobalans, divi divi, tara and albarroville. The cost of living is not affected." Who knows?

Industry has been asked to guide the Department of Commerce Office of Publication Board in determining what part of the tons of scientific and industrial material collected in Germany should be microfilmed and made available to American business.

Priceless information is at hand but the Government must avoid lost motion in separating the important from the useless or outmoded. Classification has been completed; now direction and some manpower are needed. Industry has been asked to nominate experts for six-month assignments abroad.

Unexpectedly large tax receipts, together with unexpectedly large reduction in expenditures have produced temporary budget surpluses which may cause the Treasury to expand the scale of planned debt requirement. And that would bring on demand for further tax reduction.

Secretary Vinson realizes that demand could be insistent, and potent. He has set up an answer to the tax-cut argument, brief and convincing: high debt charges, payments to war veterans and maintenance of military defenses will necessitate a federal expenditure level far above that of pre-war years. Tax reduction must wait.

State Department is concerned over the extent which Russia is playing politics with food. Itself a recipient nation for aid from UNRRA, the Soviet has sent a shipload of staples to France—for pay and with a fanfare of publicity. A Russian boat was used and the Russian government staged a ceremonial landing at the French docks.

Recalled here is the fact that this country's first contribution of coal last year arrived in France minus celebration. It was taken for granted. Now that the coal strike will interrupt shipments, contrast between Russia's aid to France and our's, will be emphasized to great disadvantage to the United States.

Elections are nearing, in France. Russia's methods, say Congressional leader's are forcing this country to practice rival diplomacy at a delicate period. The rivalry, on this side, may take the form of speeded monetary credits.

There's little to support rumors that Herbert Brownell has suggested more formal coalition between the Republican party and the conservative Southern Democrats—a third party in name, but a strengthened Republican party in fact. Brownell, who gathered political leaders here at an off-the-record dinner following his retirement as GOP national chairman, denies it.

Third parties have not had healthy existence in the United States despite popular leadership which, at different times, included Robert M. LaFollette, Sr., and Theodore Roosevelt. And recent history is fresh in the minds of Brownell and other politicians: the Progressive party that bloomed in Wisconsin, dominated that state's affairs for several years, has re-joined the Republican camp. It was that or defeat for Senator Robert M. LaFollette, Jr.

In the United States, a third political party apparently lives only as long as the major issues which brought it into existence remain in the public mind.

FROM "Soup to Nuts"

By

HENRY L. BLACKBURN

WHEN JAMES CAESAR PETRILLO smilingly remarked to reporters a few days ago, "Everything is fantastic today," he wasn't kidding. The truth of this incisive analysis of modern politico-economic trends is undeniable. You may quarrel with this labor czar's philosophies, but not with his logic in appraising prevailing conditions.

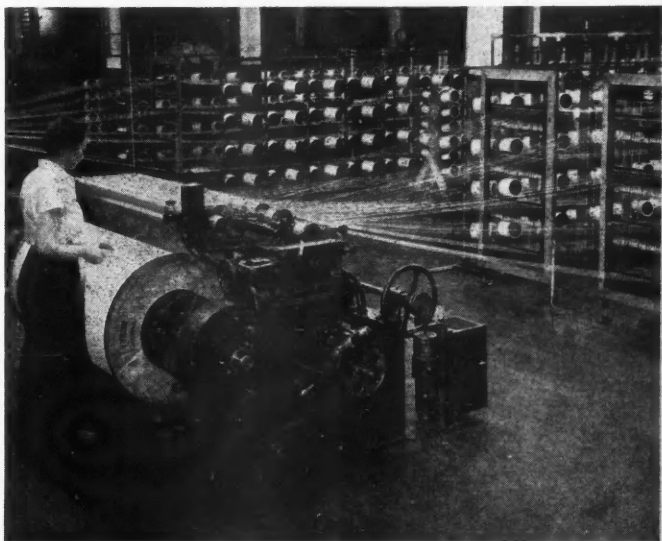
In commenting on his startling wage demands on motion picture producers, the head of the American Federation of Musicians was not asked to elaborate on his revealing observation or to disclose what domestic policies he regarded as especially weird. The colorful Mr. Petrillo may have been referring to recent Congressional legislation, or perhaps only to the unusual weather this spring, but at least his remarks seem particularly descriptive of the strange transformation that has come over textile manufacturing in recent years.

Vertical integration, which has affected in varying degree the growth of almost every industry of importance, has become one of the live topics of discussion in cotton goods manufacturing, where the practice now has gained unprecedented momentum. Outside the trade the movement has only recently begun to attract attention. Economists have likened the development to events which characterized expansion in the automobile industry a generation ago and assumed that it portends only beneficial economies in production and distribution, but trade authorities have expressed anxiety lately over eventual consequences. Executives long identified with cotton goods manufacturing fear disastrous results not only for small independent concerns, but for the large units as well that may become so overextended and unwieldy that they may flounder in the period of intensified competition anticipated as soon as deferred consumer demand is satisfied.

In the textile industry the trend toward vertical integration has been marked, but opinions vary as to its future soundness.

—Trends Toward Vertical Integration Invite Serious Consequences

Doubt over prospective benefits from the integrated system of production apparently has been raised anew by an indicated reversal in the Ford Motor Company's policy. Under the presidency of the aggressive Henry Ford 2nd, this leading factor in popular priced motor cars has taken steps to withdraw from incidental activities—such as production of tires and safety plate glass. Its extensive fleet of lake carriers, ocean ships, canal boats and tugs has been reduced to a minimum, while research projects unrelated to the automobile industry are being abandoned. Steps are being taken to modernize operations in the Rouge paper mill and in the affiliated steel mill to determine whether these plants can prove profitable. Indications are that unless such non-automotive manufacturing units can be made self-sustaining, they too will be turned loose. In other words, the vertical



integration idea which seemed so essential as the corner stone to Ford success a quarter of a century ago, now appears outmoded and doomed. Specialization is the motivating force today. It will be interesting to see to what extent the General Motors decentralization program involves lopping off secondary or non-automotive activities.

In the textile industry, streamlining of operations has made such rapid progress that realignments in distribution are becoming increasingly complicated. One of the major organizations has expanded operations until now it links every step in processing the raw cotton staple from the gin to the ready-to-wear merchandise offered in retail outlets. Theoretically economies in the chain of operations should permit not only wider profit margins for the manufacturer but lower retail prices for the consumer. This pattern has been the justification for vertical integration in other industries in the past. Under present day conditions, however, there seems to be a question whether such economies can be retained in full. Labor organizations are smarter than in past decades and are quick to seize any opportunity for gaining increased participation in benefits derived from manufacturing short-cuts. It is not easy to resist such demands when large increases in earnings are obvious. Moreover, close supervision which contributes to efficiency in small organizations tends to weaken when a small privately owned company becomes merely a unit in a large industrial empire. Hence, the economic advantages of integration actually may not be so real as might have been possible under conditions that prevailed a generation ago.

Justification for the consolidation trend in textiles is based on unusual circumstances that developed during the war. Fundamentally these abnormal conditions had their origin in government enforced price controls. When manufacturing

costs began to rise in reflecting higher wages, the squeeze first become unbearable at levels where margins historically had been narrow. Operators of spinning and weaving mills found it more profitable to close their plants than to operate at a loss when they were unable to obtain price relief. Their only alternative was to sell plants to new owners who might introduce new products commanding revised OPA schedules. Moreover, tax regulations made property sales especially advantageous. A mill operator could profit more from a long term capital gain than from current income subject to high war time imposts.

Larger units in the industry needing increased quantities of particular types of raw material proved eager buyers of small mills. Such expansion could be financed to a considerable extent out of earnings otherwise destined to go for heavy taxes. Hence, actual net costs, even though inflated by ordinary measurements, seemed not too excessive. According to trade reports, well managed spinning mills changed hands on a basis of as high as \$100 a spindle whereas eight or ten years ago no one would have thought of paying more than \$50 a spindle. Many mills were regarded as fairly appraised on basis of \$35 a spindle. Naturally, the question arises whether such costs can be supported when competition intensifies in the next few years. Some trade authorities fear that the time may come when spinning and weaving mills again may be available at valuations substantially below current levels.

Integration in Textile Industry

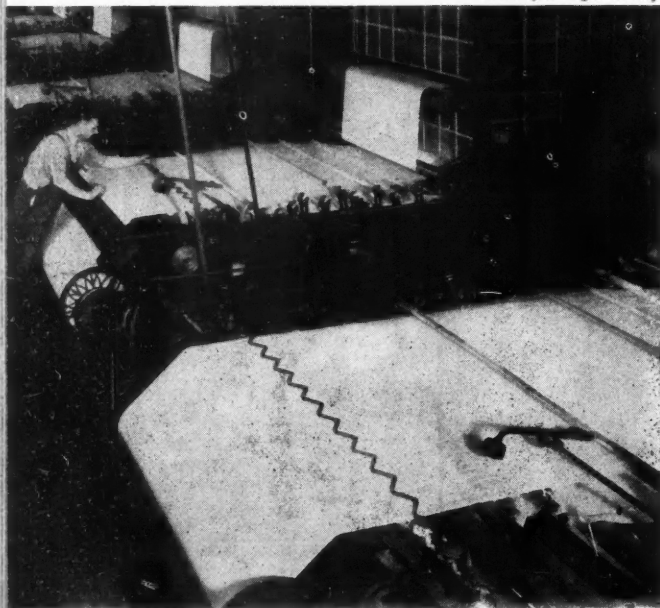
The extent to which integration has infiltrated in the textile industry probably is not generally appreciated. According to the National Association of House Dress Manufacturers, which conducted a recent survey, about 80 per cent of production in cottons is being converted in integrated mills compared with 17 per cent before the war, while in rayons about 60 per cent is being mill converted. Between two-thirds and three-quarters of all cottons output now goes through various steps of integration, it is estimated. Some trade people feel these estimates are high but they admit that supplies of goods in non-integrated units are seriously inadequate.

The scarcity of broadcloth and other cotton goods available for men's shirts presents a problem for large manufacturers such as Cluett Peabody & Co. This concern has a mill which supplies about 20 per cent of its normal requirements and management has been considering the possible necessity of expanding production of raw materials. The company would prefer to purchase cloth requirements from outsiders but currently is able to obtain only about half the material that could be utilized. The outlook for obtaining additional quantities is regarded as unpromising.

An idea of the extent to which this movement has spread can be gained from a study of the expansion of United Merchants & Manufacturers, Inc. This company controls 26 subsidiaries whose operations

In a vertical set-up the activities of the mill, the manufacturer, distributor and retailer are all embraced within one organization.

Photo by Ewing Galloway



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include almost every type of textile manufacturing and distribution. Beginning with knitting and weaving natural and synthetic yarns, this company converts, prints and finishes and also fabricates cloth. It engages in retail as well as in wholesale distribution. This company recently acquired control of a chain of men's stores and organized two other subsidiary chains selling men's and women's clothes. More than 30 retail stores now are operated and the management apparently believes that an increase in proportion of sales and earning power may develop from retail activities. Another company which has grown rapidly is Textron, Inc. This concern and its predecessor companies were primarily engaged in dyeing and processing rayon yarns. War work provided the basis for extensive growth. After acquiring mills for weaving, the management turned to acquisition of cutting and sewing plants and contracted for production of large government parachute requirements. This development naturally led to rounding out a fully integrated organization. Considerable emphasis has been placed on developing the trade name and on opening distribution channels.

Woolen Industry Integrates

What has taken place in the cotton textile industry has in effect been duplicated in the woolen industry with the trend toward a vertical set-up embracing the mill, the clothing manufacturer and the retailer. For example, Botany Worsted Mills has made an arrangement with H. Darnoff & Sons, producers of men's suits, overcoats, and topcoats, for the latter to have the entire mill output of Botany. The Darnoff organization arranges and handles the flow of finished garments through retail outlets. According to Botany officials, the elimination of selling costs has permitted the sale of fabrics to Darnoff at a price considerably below competing offerings.

Presumably companies which have expanded during the war hope to solidify their position in the prospective postwar boom. Chances of success in this direction would be improved if government controls were eliminated. If it is necessary to submit to price regulation while the vast deferred demand is being satisfied, these big textile combines may be vulnerable when profit margins begin to shrink and competition becomes keener.

Other Fields Abandon Integration

In raising the question of future difficulties, it is interesting to note that pioneers in vertical integration are modifying their policy while younger organizations are continuing the experiment. The recent disclosure that the Ford Motor Co. already had disposed of holdings worth millions of dollars has been mentioned. The younger Henry Ford has indicated a determination to concentrate on motor car manufacture. In another industry, the same trend is observed. The Kroger Grocery & Baking Co. has withdrawn from meat processing as a sideline in distributing food through its system of supermar-

kets. By contrast, Food Fair Stores, Inc., a newer grocery chain, recently has purchased a slaughtering plant and has indicated its intention of continuing to operate another plant which it leased a few years ago. Kroger explained its decision to sell three meat packing plants by saying that the end of the war alleviated the supply situation and improved the prospect of obtaining adequate meat from outside sources. The management remarked also about the small margin of profit inherent in slaughtering and processing meat for retail distribution, indicating its belief that this specialized activity properly belonged to organizations better qualified to operate the plants profitably under present disturbed conditions.

Indicative of concern felt over consequences of integration in the textile industry is the frequency of trade conferences on the subject. At a discussion held under auspices of the Textile Square Club a month ago, forecasts were heard of possible future industrial dislocations.

Effects Upon Distribution Channels

Distribution channels have been seriously threatened according to Erwin Feldman, counsel for the House Dress Manufacturers Association, previously mentioned. He said deceptive shortages are being created by restricting normal outlets. Large volumes of materials are finding their way into the hands of a relatively few leading manufacturers, leaving inadequate sources for numerous small independents. These users of piece goods are compelled to shop around for their requirements with the result that their orders are duplicated many times over. Mr. Feldman contended that the selling organization in marketing gray goods for integrated companies could not possibly handle distribution effectively under normal conditions. He expressed the opinion that between 300 and 400 converters formerly served thousands of cutters-up throughout the country. They were equipped to style fabrics to the particular needs of regular customers, making relatively small sales and taking ordinary credit risks. The large organizations lacking this experience gained from personal contacts with customers obviously will be greatly handicapped and may expect to encounter considerable confusion.

It seems doubtful that integrated organizations will be prepared to provide essential services on a national basis and present the necessary variety of styles. At least, this was the general consensus of those offering criticism of the integration movement. Large unwieldy groups could not hope to compete under normal conditions with small alert concerns having close personal relationships with manufacturers.

Some of those at the recent conference expressed the view that newly established integrated companies may not intend to continue the idea beyond the present emergency. Some observers foresaw the possibility of a reversal in this trend as soon as supplies of raw materials began to show evidence of abundance. (Please turn to page 112)

Economic Repercussions Of The Peron Election

By V. L. HOROTH



Photo by Ewing Galloway

Argentina's economy has long been based on its production of foodstuffs, notably wheat and cattle. Now Argentina aims towards greater industrialization

—Potential Effects on the Western Hemisphere.

TO WHAT MUST HAVE BEEN the great dismay to the makers of Latin American policy in our State Department, the Argentine elections held last February legalized Colonel Juan Domingo Peron as the next President of the Republic on the River Plate. However, now that the Argentine people have made their choice, there is little for Washington to do but to extend recognition to the Peron Government when it assumes power. The long-drawn out conflict between the United States and the Argentine nationalists who came to power by revolution in June 1943 thus ends with victory for the latter. They have been vindicated, and there is only hope that the relations between the two countries will improve.

In viewing the events following the nationalist revolution many

PERON

Photo by Press Association



people, especially business men who have been anxious to see the restoration of normal trade relations with Argentina, place on our State Department a certain amount of blame for the unhappy relations. They claim that the Department

showed inconsistency in the handling of the "non-intervention" issue and that as regards Argentina our policies often smacked of a personal fight between Colonel Peron and the Assistant Secretary of State, Spruille Braden. They point out, with a certain amount of justification, that the British, who certainly had more reason for disliking the nationalists for their hostility to British capital have been careful to avoid any open rift with the Buenos Aires Military Governments.

The economic policies pursued by us during the war played into the hands of a more radical and uncompromising element among the Argentine nationalists, one of whom has been Colonel and now President-elect Peron. The help we gave Brazil during the war in promoting her industrialization while limiting to a bare minimum the exports of badly needed industrial and transportation equipment to Argentina, was unquestionably justified from our point of view, but it made excellent propaganda for military preparedness in that country. Finally, the publication early this year of the so-called Blue Book with which we hoped to discredit the Argentine nationalists by pointing out their Axis affiliations, actually backfired simply because many Argentinians regarded it as interference in their domestic affairs. Once more its has been proven that democracy, when imposed with the help of force or foreign intervention, may go unwanted.

The fact remains that Peron and the nationalists voted in by the largest congressional majority in Argentine history are there to stay probably for many years to come. Social and economic changes that were inaugurated following the June 1943 revolution will be continued and extended. How will they affect the American businessman and the

American investor? Will it be possible to resume business as usual? Will Argentina continue to be "the health resort" for foreign capital? After all, Argentina, in spite of revolution, has remained one of the most lucrative markets not only in Latin America, but in the world; too, despite the revolution she has been meeting all her financial obligations.

All these questions are difficult to answer. The Argentine nationalists are determined to make the country economically independent. But they are equally determined to liquidate the last vestiges of the liberal, free-trading Argentina which was exchanging farm products for industrial articles. For the time being, while the world is short of food and raw materials, there should be no difficulty in exporting at good prices. Later bilateral trade agreements may be favored.

Since economic independence and self-sufficiency is on the nationalist program, the Peron Government will probably go in for the promotion of new industries and for liberal protection of those enterprises which may prove essential in case of war. In the cards is also heavy taxation of large fortunes, the breaking-up of large landed estates to make room for new immigrants, more social reforms—some of which, incidentally, are overdue—and probably a rougher handling of foreign capital. But since all things are relative, the average businessman and investor will still find Argentina incomparably more inclined toward free enterprise than some of the countries on the Continent of Europe.

As a whole then, the assuming of power by Colonel Peron will not mean much change in doing business with Argentina. As a matter of fact, the fight for the Argentine market is already in full swing. In addition to the Americans, the British, the Swedes and the Swiss, the businessmen from France and Belgium are beginning to be active of late, and even the Russians are sending a trade delegation. The British exports to Argentina in January 1946 are reported to have exceeded materially the prewar level.

As will be seen from the accompanying table, Argentina used to absorb before the war about \$400 to \$450 million of foreign goods, of which about 20 per cent was supplied by the United States. By 1945, partly because of short supplies in this country and partly because of economic pressure, we supplied Argentina with only about 13 per cent of her imports. According to the table, Brazil is now the largest supplier of Argentine imports.

Because of exceptionally large exports on one hand, and the inability to import on the other, Argentina accumulated during the war a huge gold and foreign exchange reserve, part of which will be used to obtain badly needed industrial and mining equipment, special tools and machinery, and

transportation equipment. It is said that Argentina needs immediately at least 100,000 passenger cars, only about one-half of the cars in the country being in condition to be operated.

According to the just published annual report of the Central Bank, Argentine gold and foreign exchange reserves reached the equivalent of about \$1,835 million as of the end of 1945; Argentina holds, therefore, more than 40 per cent of the gold and foreign exchange reserves of entire Latin America. If Argentine exports remain around the present level (\$750 to 800 million), the country could easily import goods at the rate of \$700 million a year without an appreciable drain on the gold and foreign exchange resources.

In general, from the viewpoint of the American importer or exporter, no great changes are likely to result from the February elections or the eventual assumption of power by Colonel Peron. Argentina will have to trade as much as before, and her deferred requirements of industrial products are huge. It is the investor, either a holder of Argentine securities or an industrialist who owns a plant or intends to build one, who will have to watch the developments in Argentina more carefully than ever. The source of trouble is likely to be the fiscal policies of the Peron Government and the danger that the purchasing power of the peso may decline at home as well as abroad as a result of the speeding up of inflationary processes.

The Military Governments of Rawson and Farrell inherited some inflation from the conservative Castillo Government, but it was inflation resulting principally from the inflow of foreign funds representing either refugee capital from Europe or the proceeds from exports which could not be spent from imports. With the Nationalists coming to power considerable purchasing power began to be generated also as a (Please turn to page 115)

Distribution of Argentine Foreign Trade

(In Millions of Pesos at Official Buying Rate)

Country:	United States	Brazil	Other West. Hem.	British Empire	European Neutrals	All Other	Grand Total
EXPORTS TO							
1937-39	221	86	62	577	67	754	1,767
1941	562	83	138	553	197		1,533
1942	492	103	220	689	161	26	1,691
1943	503	126	329	926	147	14	2,045
1944	533	205	324	1,010	206	18	2,296
1945	574	250	388	740	261	254	2,467
IMPORTS FROM							
1937-39	284	51	90	371	63	551	1,410
1941	370	123	169	314	110		1,086
1942	329	190	142	264	127	14	1,066
1943	150	169	123	222	132	3	799
1944	126	292	160	161	146	2	887
1945	136	285	192	186	202	7	1,008

Source: Annual Reports of the Banco Central de la Republica Argentina.

Note: Figures from Argentine official trade statistics were recalculated by the Central Bank so as to put the export and import data on approximately comparable basis. Ordinarily the exports are given in "tariff values," while the imports are reported on "market value" basis.

Relative OIL STRENGTH OF MAJOR POWERS



By H. M. TREMAINE



Oil, one of the most vital of war munitions, may well determine the future balance of power among the major nations of the world.

Photo by Press As

WHEN Ex-Secretary ICKES in 1943 voiced his debatable theory that the nation's oil supply would prove insufficient "to oil another war of this size", and that the United States must obtain a fair measure of access to foreign oil resources, he echoed a basic factor which has led to international strife more than once in the past and may sometime flare up again. Even now, when the big question should be how to oil the peace, we see Russia reaching out her hand to secure at all costs a share in the petroleum of her small neighbor, Iran. But granted that the world will soon settle down to a long period of tranquil international relations, the control of oil supplies throughout the world by the major powers will continue to be a matter of tremendous economic and political significance. Current distribution of oil holdings by different nationalities, therefore, is interesting to examine.

"Proven Reserves" vs. "Reserves"

At the outset of the discussion it is well to realize that potential sources of oil supply must be defined in three categories. "Proven reserves" are those where drilling has established determinable quantities of crude which can be produced under current methods and at known costs. Additionally are plain "reserves" which also have been found by drilling but which may require further study or expense to develop profitably, although the quantity under ground is well known. Lastly are what are termed oil "resources" which include oil recoverable from partially depleted wells, shale, natural gas, coal and from favorable but undrilled areas. In January, 1944, "proven oil reserves" throughout the world amounted to some 51.2 billion barrels or about 13 billion barrels more than had been produced up to that date. "Reserves", however, undoubtedly are

more than double in quantity, while oil "resources" are so large as to defy estimation. While the latter cost more to produce, naturally, all of the major governments are spending large sums with an eye to their eventual economic development, should other supplies shrink, and experts predict that on a pinch world demand could be met for the next thousand years. Indeed, by substantial reliance upon "synthetics", Germany was able to fuel her tanks and planes for a long time in War II, although output was limited and the cost high.

As science has established that petroleum is the result of millions of years impact by sunlight upon decayed marine organisms, it has become possible for geophysicists to locate four principal areas on the globe where the former presence of seas has led to the accumulation of huge oil deposits. Roughly defined, these areas are the Caribbean-Gulf of Mexico regions, the Mediterranean-Middle East, the Far East Basin which includes the Indies, China and Japan, and strangely enough the North Pole area which has not been proven up as yet.

U. S. Leads in Proven Reserves

In scanning definitely proven reserves in different countries enterprise and cash has put the United States far in the lead to date, our 20 billion-barrel clearly defined supply of oil representing 39% of the world total compared with a relative 32% for the Middle East with its proved reserves of 16.5 billion barrels. Statistically, Russia, and Venezuela are trailing along about equally with about 5.7 billion barrels each, accounting for about 11% of the world supply each, but it must be borne in mind that in the case of Russia the figures relate to her theoretical proven reserves more than two years ago. In Europe, Russia controls all known oil resources.

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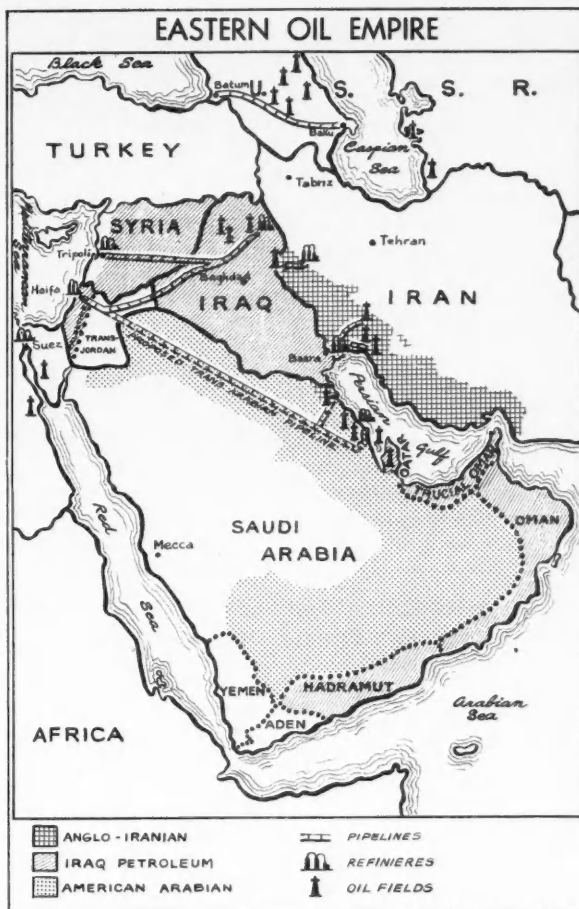
Recently reports from Russia estimate known reserves at 22,500,000,000 barrels, or about 10% more than in the United States. Estimates given for all these countries also include no credit for holdings outside of their own borders or of promising oil deposits which might tremendously expand their domestic reserves. Thus the one billion barrels of proven reserve of the East Indies, for which the Japanese fought so bitterly, may prove to be a very modest estimate in the near future, as might be also said of Mexico and Colombia with relative proven reserves of 700,000 and 500,000 barrels.

As for actual production in different areas, the Truman Committee in 1943 estimated the total world output of crude oil as 2.27 billion barrels, of which 1.5 billion barrels, or more than half, came from wells within the United States. Percentage-wise, American production at home was 63.7% of the world's total in that year, and American concerns abroad produced an additional 19.5%. Total investment of the American petroleum industry has been estimated at \$15 billion. Output of crude oil in Latin-American countries finds Venezuela in top place with 187 million barrels, combined production of Mexico, Argentina, Colombia and the others totalling about 126 million barrels. Sum total for the Western Hemisphere is 1.8 billion approximately.

Foreign Production

Oil production in Europe is centered predominately in Russia, where output is 240 million barrels, Rumania holding second place with 36 million, while Hungary, Germany, Austria and Poland together account for some 27 million barrels. Rated production in the Middle East is about as follows: Iran, 78 million barrels; Iraq, 26.6; Egypt, 8 million, Saudi Arabia, 5.4 million and Bahrein Island, 8 million. In the Far East, the Dutch Indies account for 20 million barrels and other oriental countries in that section for 13.7 million.

With some idea in mind of the productivity of the various nations in the shape of oil and their respective proven reserves, the big question of controls arises to assume top importance. Boiled down to simplest terms, little study is required to envisage the United States and Great Britain as controlling



almost all of the world's proven oil supplies, aside from those dominated by Russia. The main consideration does not involve outright ownership of foreign oil fields so much as legalized control, for in most countries extraction of crude oil is achieved on a basis of substantial down payments, followed by contractual terms.

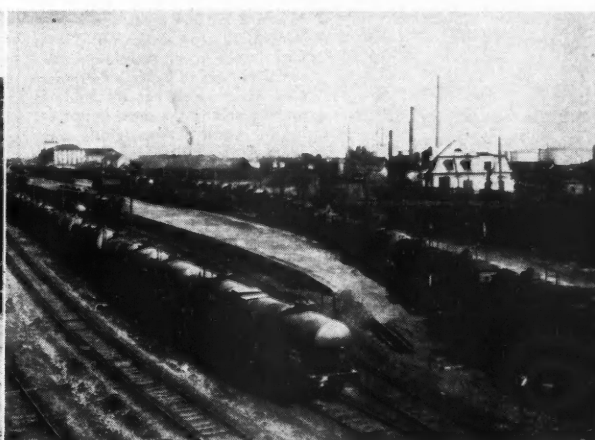
Politics, accordingly, enter heavily into the picture, for back of all economic factors is the far stronger weight of military necessity. For decades past, the rapid mechanization of warfare has

A mountain pipeline serving the important Anglo-Persian oil fields in Iran.

Photo by Press Association



Familiar scene at Ploesti, Rumania, an oil center now virtually controlled by Russia.



brought dependence upon petroleum products to an all-time peak importance. To cite a single up-to-date example, a fleet of 2,000 four-engined bombers in the course of a six-hour raid consume 3.5 million gallons of 100-octane gasoline. Under modern conditions, either successful defense or attack would be utterly impossible without an ample supply of oil in some form. To secure this advantage, therefore, the major powers have strained themselves to extend and fortify their foreign sources, and every move made in this direction has been attended by international concern and suspicion.

As Great Britain has no oil on her home islands, her stake in the search for adequate outside supplies has been tremendous. By the end of War I, the British fleet had completely abandoned its previous reliance upon coal for fuel and had adjusted its entire economy to an oil basis. The Government itself soon after bought a half interest in the Anglo-Persian Oil Co. (now the Anglo-Iranian Oil Co.)

AMERICAN COMPANIES HAVING IMPORTANT FOREIGN OIL RESERVES

<i>Company</i>	<i>Holdings</i>
BARNSDALL OIL	Has joint concessions with Standard Oil of Ohio on 400,000 acres in Venezuela. Drilling operations are scheduled to start this year.
CREOLE PETROLEUM	Company is rated largest producer of crude oil in Venezuela. Concessions total in excess of 4,000,000 acres.
GULF OIL	Gulf has joint ownership in an oil concession covering state of Kuwait, in the Persian Gulf. Company is also one of the largest producers in Venezuela and recently reported oil discoveries in Nicaragua.
SINCLAIR OIL	Has obtained potentially important oil concession in Ethiopia. Also has important holdings in Venezuela.
SOCONY-VACUUM	Company is engaged jointly with Texas Co. in development of Barco concession in Colombia. Has large concessions in Venezuela. Owns half interest in Near East Development Corp., which has a 23.75% interest in oil produced from concessions held by Iraq Petroleum Co. Latter is engaged in construction of a new pipeline able to deliver 90,000,000 barrels of crude per day.
STANDARD OIL CO. OF CALIF.	Has concession in Venezuela totalling 2,890,089 acres and in Colombia, 701,764 acres. With Texas Co. jointly owns Arabian American Oil Co., and Bahrain Petroleum Co., Ltd., which has oil holdings ranking among the most important in the world. Also jointly owns Trans-Arabian Pipe Line Co., which will construct a pipeline from Saudi Arabia to the Mediterranean Sea.
TEXAS CO.	See above remarks relating to Texas Co., in connection with Socony-Vacuum and Standard Oil of Calif.
UNION OIL CO. OF CALIF.	Has acquired large concessions in Paraguay.

and by the expropriation of former German holdings in the Turkish Petroleum Co. gained 75% control of this concern. This latter acquisition highlights the changing picture as to foreign oil holdings under the impact of political upheavals, and as a matter of fact Britain herself had lost her valuable oil properties in Russia through expropriation after the Revolution in 1917. When Sir Henri Deterding, of the powerful Royal Dutch Shell Co., became a British subject after War I, the influence of Great Britain in oil concerns was extended to many important foreign oil fields, ranging from the East Indies to the Caribbean area and even within the borders of the United States.

Prior to World War II, lack of a well-defined international oil policy in Washington forced our farsighted and aggressive American oil concerns to expand their foreign oil interests as best they could alone, and that they have succeeded so well, particularly in Venezuela and the Middle East, attests strongly to their determination and ability to dicker with foreign nations and established competitors in those regions. Some 20 years ago, Standard Oil of New Jersey and Socony-Vacuum Co. managed to acquire nearly a fourth share in the Iraq Petroleum Co., along with British, Dutch and French concerns. S.O. of California also acquired rights on the Island of Bahrein in the Persian Gulf and since 1932 has developed large-scale production there. More recently, S.O. of California joined forces with the Texas Co., allotting to it a share both in the Bahrein Oil Co. and in the Arabian American Oil Co.; as a result these two strong concerns have a monopoly of the rich oil output of Saudi Arabia, which they are preparing to pipe to an outlet on the Mediterranean. One more American competitor, the Mellon-controlled Gulf Oil Corp., obtained in association with the Anglo-Iranian Co. rights to all oil in Kuwait. While proven reserves in all these Middle East areas have far exceeded the expectations of the American companies in control, experts are certain that readily accessible oil pools as yet untapped have enormous potentials for profitable production.

Stemming from War experience, policies of Washington in late years have finally become rather too expressive to suit the large oil concerns, for, as everyone knows, Mr. Ickes nearly had his way in constructing a Government-owned pipeline through Arabia, which would have in effect controlled all the private output tributary to it. But the recently concluded Anglo-American Oil Agreement between the two English speaking nations, may go a long way towards smoothing the path of oil development throughout the world, although some Government control of oil prices may annoy private producers. Basic idea of the Agreement is to force respect for all present valid concessions and contracts, to assure ample supplies of oil to all peace-loving countries and to establish the Open-Door policy in all oil areas not now under concession.

The Russian Enigma

While chances are bright that most nations will readily favor the International Petroleum Commission which will implement (*Please turn to page 112*)



6 Low Priced Stocks

— With Unrealized Profit Potentials

By Magazine of Wall Street Staff

IN CLASSIFYING certain stocks as low priced, the term must be interpreted relatively as well as literally. A stock may be selling within a given price range—say between 20 and 30—and to that extent might logically be classed as low priced relative to present market levels. But within these lower price brackets there is a much wider range of values—fundamental values determined by earnings, dividends, and prospects—than might otherwise be suggested by arbitrary price limitations.

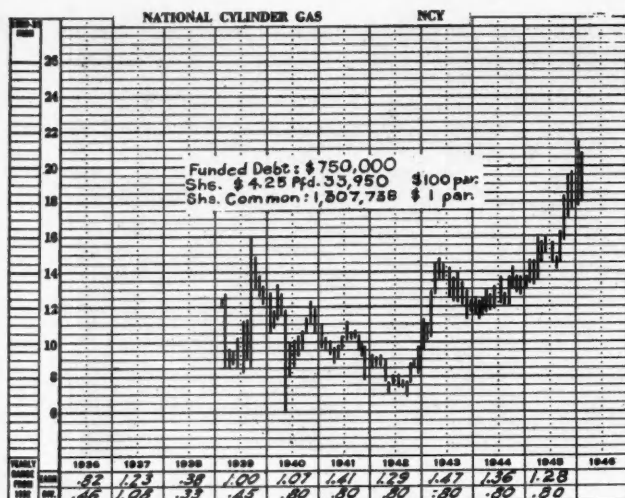
At the risk of stating the obvious, but to give emphasis to the point, a stock selling at 30 may be grossly overpriced in terms of investment value, while another issue, on the same basis, might be undervalued at 150. And at this time, at the peak of a prolonged rise in stock prices, the former is more likely to be the rule rather than the latter. The so-called low priced stocks have for some months attracted widespread speculative attention and prices have, in many instances, been bid up to a point where potential earnings and dividends would have to be substantially greater than anything that can reasonably be estimated at this time. That is a typical situation in a bull market, but which in time has always adjusted itself, more often than not to the disappointment and loss to the investor. On a recent day, the ten most active stocks on the New York Stock Exchange included eight issues selling below 20, and of these, three were selling below 10. This is typical rather than unusual. It reflects the striving by investors and traders for better-than-average percentage gains. This is a speculative venture and is fraught with considerable risk which in-

creases in direct ratio to the duration and height of a bull market.

The six issues selected for discussion on the following pages represent established companies, well entrenched financially, and with the type of background which makes for investor assurance and confidence. Moreover their prospects at this time shape up in a manner foreshadowing higher earnings and ultimate rewards to stockholders in the way of dividends. Relief from taxes this year should serve to enhance earnings and in no instance are such factors as higher wages, shortages and pricing difficulties likely to prove a serious stumbling block. Re-conversion problems and other transitional factors have been largely mitigated.

In the present industrial setting, cross currents are so numerous as to make it virtually impossible that any one company would be completely immune. From our analysis of these companies, however, we feel that they are so situated as to be able to cope without difficulty with any reasonably foreseeable conditions in their respective fields.

Stated otherwise, it is felt that they meet the requirements of careful selectivity in the manner which has been repeatedly stressed by Mr. A. T. Miller in his fortnightly discussions of the market outlook. These issues, on the basis of current standards and ratios are reasonably priced and income yield is in line with the prevailing average, if not somewhat better in several cases. Further extension of the market rise would doubtless serve to enhance their value or, as has frequently been the case in recent market sessions, these issues could, we believe, do somewhat better than the "averages."



NATIONAL CYLINDER GAS

BUSINESS: National Cylinder Gas engages in the production of industrial gases—oxygen and acetylene. Other products, gaining in importance, include cutting-welding equipment and electrodes. Company has a 50% interest in Tube Turns, manufacturer of welding fittings and forgings, and the Mid-West Carbide Co., a prominent producer of Calcium Carbide. An 84% interest is also held in the Holland Color & Chemical Co., producing welding electrodes. Company's principal outlets include the steel, railroad, automobile, machinery and building industries.

OUTLOOK: For 1945, the company reported sales in excess of \$21 million, a decline of about \$3.6 million from the previous year. Net available for the common shares was equal to \$1.28 a share against \$1.35 a share in 1944. Dividends from partially owned subsidiaries contributed \$554,493 to last year's profits. In the first three months of the current year, sales were off about \$1.4 million, but with the advantage of lower taxes, net increased about 26% to 31 cents a share for the common stock. These earnings do not include any dividends received from subsidiaries. A strong financial position is characteristic; at the end of last year the ratio of current assets to current liabilities was 6-to-1, and cash alone of nearly \$4 million compared with current liabilities of less than \$1.4 million. Sales this year, although likely to be below the level of war years, should keep pace with the trend of general industry. Profit margins, however, will be somewhat larger and net will have the benefit of lower tax liability.

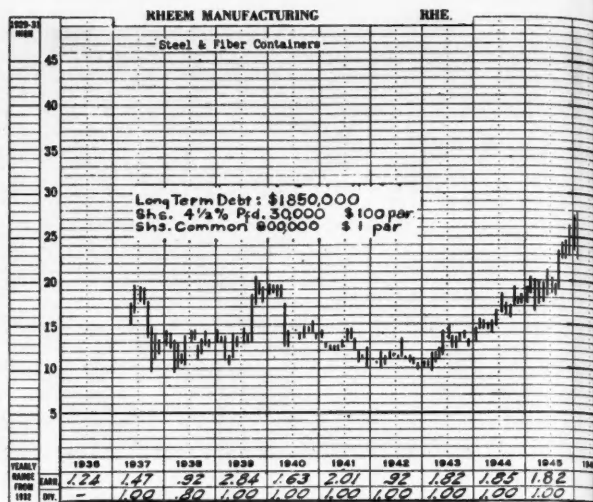
DIVIDEND: Augmented by recently completed plant additions, current earnings should expand to at least \$1.50 a share and a larger dividend would be warranted. Assuming an increase to 25 cents quarterly, the yield would be about 5%, at recent levels around 20.

MARKET ACTION: Shares this year have had a price range of 21 1/2-17 3/4 and current quotations around 20 accord prospects a conservative appraisal.

COMPARATIVE BALANCE SHEET ITEMS (in \$ thousand)

	Dec. 31 1941	Dec. 31 1945	Change
ASSETS			
Cash	\$1,563	\$3,887	+\$2,324
U. S. Tax Notes		753	+ 753
Receivables, net	1,685	1,622	- 63
Inventories, net	1,702	1,721	+ 19
Exc. prof. ref. bonds		560	+ 560
TOTAL CURRENT ASSETS	4,950	8,543	+ 3,593
Plant and equipment	13,128	14,572	+ 1,444
Less depreciation	5,874	8,223	+ 2,349
Net property	7,254	6,349	- 905
Other assets	1,419	3,468	+ 2,049
TOTAL ASSETS	13,623	18,360	+ 4,737
LIABILITIES			
Debentures payable	150	150	
Accts. payable and accruals	812	944	+ 132
Reserve for taxes	987	277(a)	- 710
TOTAL CURRENT LIABILITIES	1,949	1,371	- 578
Deferred liabilities	4		- 4
Long term debt	1,350	750	- 600
Reserves		175	+ 175
Capital	1,336	4,731	+ 3,395
Surplus	8,984	11,323	+ 2,339
TOTAL LIABILITIES	13,623	18,360	+ 4,737
WORKING CAPITAL	3,001	7,172	+ 4,171
Current Ratio	2.5	6.2	+ 3.7

(a) After deducting \$2.2 million U. S. tax notes.



RHEEM MANUFACTURING CO.

BUSINESS: Rheem Manufacturing Co., produces a wide variety of sheet steel products which include drums, containers, pails, etc., together with an extensive list of household products. Company is conceded to be the largest manufacturer of water heaters utilizing gas, electricity and oil, while other products include automatic stokers, boilers, tanks and furnaces. Activities are international in scope with plants in Australia, Brazil and Mexico. Company engages in extensive research and in recent years has made notable progress.

OUTLOOK: Last year Rheem reported total sales in excess of \$91 million, an increase of 22% over 1944. Of total sales, approximately two-thirds were contributed by ordnance and aircraft products. But with the end of the war the company made rapid progress in re-converting its plants and facilities to the manufacture of peacetime products. At the present time eleven plants are in operation, and new equipment and additions involving an outlay of \$2.6 million are planned. Since 1940, company's net fixed assets have more than doubled; working capital has increased from a little more than \$1.0 million to more than \$9 million; and plant area has increased from 533,000 square feet to 1,286,000 square feet. Earnings last year, just under \$1,500,000, were equal to \$1.82 a share for the 800,000 shares of common stock. This compared with \$1.67 a share earned in 1944. Industrial demand for containers and drums this year, coupled with the emphasis on the construction of new homes, provides Rheem with the opportunity for surpassing any of its previous peacetime years.

DIVIDEND: Over the past seven years dividends have been paid at the rate of \$1 annually and prospective earnings at this time not only lend assurance as to the security of this rate but suggest the possibility of a higher dividend later in the year.

MARKET ACTION: Recent prices around 26 compare with the 1946 high of 28, and the low of 22 1/4. Current price-earnings ratio is lower than average.

COMPARATIVE BALANCE SHEET ITEMS (in \$ thousand)

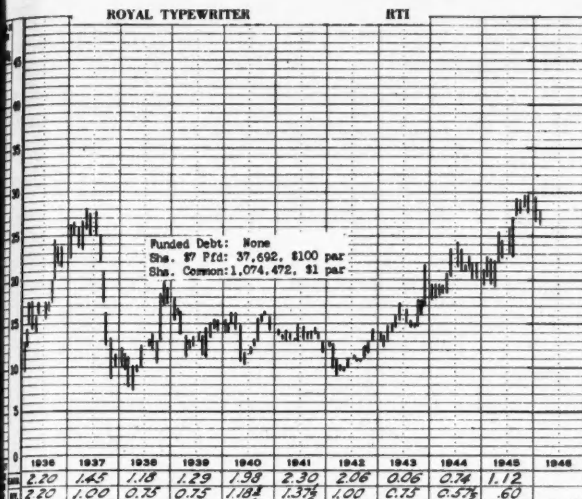
	Dec. 31 1941	Dec. 31 1945	Change
ASSETS			
Cash	\$720	\$5,503	+\$4,783
Marketable securities	14	5,150	+ 5,136
Receivables, net	2,045	1,812	- 233
Inventories, net	3,617	4,332	+ 715
Contr. term clms.		10,680	+ 10,680
TOTAL CURRENT ASSETS	6,416	27,477	+ 21,061
Plant and equipment	6,460	8,975	+ 2,515
Less depreciation	1,226	3,313	+ 2,087
Net property	5,234	5,662	+ 428
Other assets	529	671	+ 142
TOTAL ASSETS	12,179	33,810	+ 21,631
LIABILITIES			
Notes payable	1,125	10,159	+ 9,034
Accts. payable and accruals	1,700	3,777	+ 2,077
Reserve for taxes	653	4,425	+ 3,772
U. S. Gov't advs.	1,290		- 1,290
TOTAL CURRENT LIABILITIES	4,768	18,361	+ 13,593
Short term debt		1,850	+ 1,850
Long term debt	2,590		- 2,590
Reserves		250	+ 250
Capital	2,314	3,800	+ 1,486
Surplus	2,507	9,549	+ 7,042
TOTAL LIABILITIES	12,179	33,810	+ 21,631
WORKING CAPITAL	1,648	9,116	+ 7,468
Current Ratio	1.3	1.5	+ .2

Thumbnail Stock Appraisal

Thumbnail Stock Appraisal

ROYAL TYPEWRITER

RTI



ROYAL TYPEWRITER CO.

BUSINESS: Ranked third in its field, Royal Typewriter makes a full line of standard and portable typewriters, as well as ribbons, carbon paper and other office supplies. In recent years domestic outlets have accounted for about 80% of sales. During the war, Royal and other typewriter companies were engaged chiefly in making war supplies, with the result that obsolescence and deferred demand for typewriters have combined to accumulate a large backlog of unfilled orders.

OUTLOOK: Reconversion to a peacetime basis was completed late last year but attainment of full-scale production has been delayed by difficulty in acquiring adequate supplies of raw materials, notably grey iron castings. It is expected that capacity operations will be possible in the near future, if they have not already been reached. It has been estimated that to fill its backlog of orders would require the company to operate at capacity for at least a year. In the first six months of the current fiscal year, which will end July 31, next, Royal reported a loss of \$56,651, which compared with a profit of \$725,960 equal to 28 cents a share for the common in the same period a year ago. This loss, however, was due to transitory conditions which have since been appreciably mitigated, and constitutes no serious threat to the present dividend. Last July, Royal reported total current assets of about \$13.6 million, while current liabilities were \$2.5 million. Cash and Government securities were in excess of \$7.5 million. Ahead of the 1,074,472 common shares is an issue of 37,692 shares of \$7 preferred stock.

DIVIDEND: An early increase in the present 60-cent annual dividend is not anticipated, but with the prospects favoring good earnings in the later months of 1946, a higher rate can be expected. In the past, the company has followed a generous dividend policy and, with the support of a strong financial position, will probably continue to do so in the future.

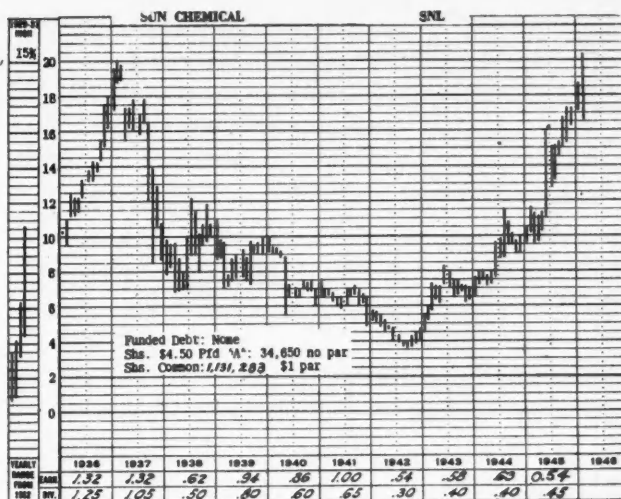
MARKET ACTION: Current price range 29 1/2-25, compares with recent levels around 27, and the 1937 high of 27 3/4.

COMPARATIVE BALANCE SHEET ITEMS (in \$ thousand)

	July 31, 1941	July 31, 1945	Change
ASSETS			
Cash	\$3,420	\$3,565	+ \$145
U. S. Treas. securities		4,009	+ 4,009
Receivables, net	4,578	1,963	- 2,615
Inventories, net	4,529	4,097	- 432
TOTAL CURRENT ASSETS	12,527	13,634	+ 1,107
Plant and equipment	5,633	5,969	+ 336
Less depreciation	3,377	4,034	+ 657
Net property	2,256	1,935	- 321
Other assets	433	1,174	+ 741
TOTAL ASSETS	15,216	16,743	+ 1,527
LIABILITIES			
Accts. payable and accruals	924	1,289	+ 365
Reserve for taxes	2,059	1,272	- 787
Other current liabilities			
TOTAL CURRENT LIABILITIES	2,983	2,561	- 422
Reserves	25		- 25
Capital	4,038	4,843	+ 805
Surplus	8,170	9,339	+ 1,169
TOTAL LIABILITIES	15,216	16,743	+ 1,527
WORKING CAPITAL	9,544	11,073	+ 1,529
Current Ratio	4.2	5.3	+ 1.1

SUN CHEMICAL

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SUN CHEMICAL CO.

BUSINESS: Sun Chemical Co., is the new name of the former General Printing Ink. Co. In its present form, the company is not only an important manufacturer of printing inks, but through a broadening scope of activities in recent years, is a prominent factor in the manufacture of specialty paints and coatings. Last year acquisition of A. C. Horn Co., maker of paints and finishes, was concluded as was that of Warwick Chemical Co., engaged in the manufacture of textile finish compounds and materials for treatment of water-repellent fabrics. Extensive research is conducted by Sun Chemical into the fields of oils, resins, and pigments, and earlier this year acquired a company making finishes for automobiles and other transportation equipment.

OUTLOOK: Last year, company's sales rose some \$4 million to \$17.5 million, and this year with the full benefit of recent acquisitions sales will probably exceed \$20 million. Figured on the basis of the average number of common shares outstanding during 1945, earnings last year were equal to 71 cents a share, while on the basis of the 1,131,283 shares outstanding at the end of the year net would have been equal to 54 cents a share. These earnings, however, included only four months' operations of A. C. Horn, and less than a month of the Warwick Chemical. Net current assets at the end of 1945 were in excess of \$6.7 million and current assets showed a ratio to current liabilities of 3.6-to-1. Current prospects are excellent and, with lower taxes, should be reflected in a significant earnings gain.

DIVIDEND: At the present time dividends are being paid at the rate of 15 cents quarterly, on which basis the indicated yield is 3%, at recent levels around 19. It is to be noted, however, that in 1936 and 1937 dividends were in excess of \$1, and there is a good possibility that they will again reach that figure, or better, in the not too distant future, as the company's considered expansion program bears fruit.

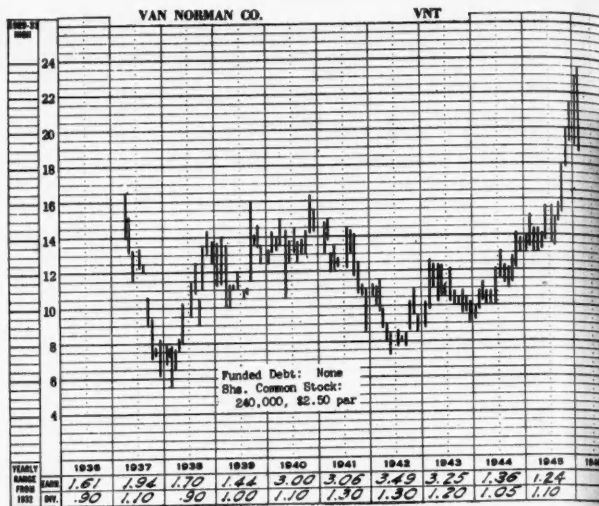
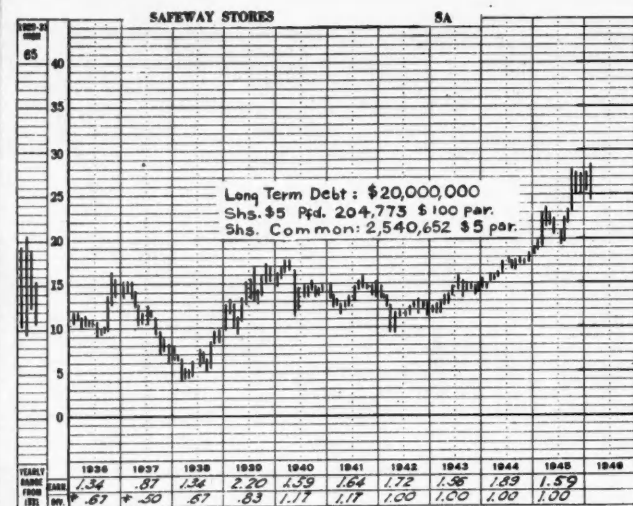
MARKET ACTION: Recent prices in the neighborhood of 19 compare with the 1946 range of 20 3/4-16 5/8.

COMPARATIVE BALANCE SHEET ITEMS (in \$ thousand)

	Dec. 31, 1941	Dec. 31, 1945	Change
ASSETS			
Cash	\$862	\$1,950	+ \$1,088
Gov't securities		468	+ 468
Receivables, net	1,711	2,574	+ 863
Inventories, net	3,376	4,242	+ 866
Other current assets			
TOTAL CURRENT ASSETS	5,949	9,234	+ 3,285
Plant and equipment	4,639	6,871	+ 2,232
Less depreciation	3,022	4,375	+ 1,353
Net property	1,617	2,496	+ 879
Other assets	592	1,251	+ 659
TOTAL ASSETS	8,158	12,981	+ 4,823
LIABILITIES			
Accts. payable and accruals	938	1,863	+ 925
Reserve for taxes	754	616	- 138
Other current liabilities			
TOTAL CURRENT LIABILITIES	1,692	2,479	+ 787
Minority interest		81	+ 81
Capital	3,412	4,596	+ 1,184
Surplus	3,054	5,825	+ 2,771
TOTAL LIABILITIES	8,158	12,981	+ 4,823
WORKING CAPITAL	4,257	6,755	+ 2,498
Current Ratio	3.5	3.7	+ .2

Thumbnail Stock Appraisal

Thumbnail Stock Appraisal



SAFEWAY STORES

BUSINESS: Safeway Stores, Inc., operates the second largest chain of retail grocery stores. For some years sales have shown consistent expansion and at a rate which has bettered that of the chain grocery field, as a whole. In recent years the character of the business has undergone a gradual change with increasing emphasis on the large self-service type of store and the elimination of the smaller neighborhood units. This trend has resulted in nearly a thousand fewer stores, the present total of retail outlets being some 2,400, most of which are spread throughout the area west of the Mississippi. Company's activities also embrace extensive processing of foods, for which purpose bakeries, creameries, slaughter houses, coffee roasting plants, etc., are operated.

OUTLOOK: In common with other grocery chains profit margins are small and earnings are governed principally by competitive vigor and the trend in public purchasing power. Both of these factors favor the company's current prospects. Earnings last year were equal to \$1.59 a share on the 2,540,652 shares of common stock, which was split three-for-one about a year ago. On the same basis earnings in 1944 were equivalent to \$1.63 a share. At the present time sales are running a rate indicating that for all of 1946 they will top \$700 million by a substantial margin. Results for the first three months showed sales gains of better than 25% over those for a year ago.

DIVIDEND: Dividends have been paid to common stockholders continuously for nineteen years and the present rate of \$1 annually has the support of a strong financial position and a comfortable margin of earnings. The shares offer the investor a background of stability under almost any conceivable conditions, and further growth along steady, if not spectacular, lines is indicated.

MARKET ACTION: Current price range has been 30 $\frac{3}{8}$ and 24 $\frac{1}{2}$ and recent prices are close to the year's high. Yield is about 3.3%.

COMPARATIVE BALANCE SHEET ITEMS (in \$ thousand)

	Dec. 31 1941	Dec. 31 1944	Change
ASSETS			
Cash	\$11,688	\$18,649	+\$6,961
Marketable securities		1,374	+ 1,374
Receivables, net	4,979	3,065	- 1,914
Inventories, net	49,801	55,359	+ 5,558
Other current assets			
TOTAL CURRENT ASSETS	66,468	78,447	+11,979
Plant and equipment	51,507	43,670	- 7,837
Less depreciation	19,894	21,813	+ 1,919
Net property	31,613	21,857	- 9,756
Other assets	1,081	1,864	+ 783
TOTAL ASSETS	100,162	102,168	+ 2,006
LIABILITIES			
Notes payable	2,431	4,300	+ 1,869
Accts. payable and accruals	14,811	17,910	+ 3,099
Reserve for taxes	3,762	793(a)	- 2,969
TOTAL CURRENT LIABILITIES	21,004	23,003	+ 1,999
Long term debt	19,150	16,600	- 2,550
Reserves			
Capital	32,053	30,750	- 1,303
Surplus	27,955	31,815	+ 3,860
TOTAL LIABILITIES	100,162	102,168	+ 2,006
WORKING CAPITAL	45,464	55,444	+ 9,980
Current Ratio	3.1	3.4	+ .3

(a) After deducting \$4.7 million U. S. Treas'y Tax Notes.

VAN NORMAN COMPANY

BUSINESS: Although relatively small in the machine tool industry, Van Norman Co. has won an enviable reputation as a specialist in this field during its more than 30 years of experience. Main plant of the company is located in Springfield, Mass. Products consist of a wide range of milling machines, grinders, reamers, and machines for refacing and reseat valves and pistons.

OUTLOOK: Longer range prospects for well-known makers of machine tools are impressive, for to accelerate production of all durables and to overcome rising wage costs, every manufacturer of such products must perforce see to it that his equipment is of the most modern character. Output of Van Norman should be in special demand by the automotive industry during the coming boom, not only in the production of new goods but for servicing as well. While volume will shrink sharply from the peak level of about \$20 million achieved in wartime, it should easily exceed the prewar average of about \$3 million. Operations during the first quarter naturally have been curtailed by material shortages and higher wages will have to be met. Through assured tax and price relief, however, profit margins will be widened to permit continuation of the company's peacetime record of satisfactory earning power.

DIVIDEND: While net earnings have trended downward during the past two years under the impact of war conditions, and dividends contracted correspondingly, the \$1.74 per share earned in 1945 on the company's sole capitalization of 240,000 shares amply covered the relative distribution at a rate of \$1.10. This compares with a dividend range of from \$1.20 per share to \$2 during the 1936-43 period, the latter showing how shareholders are apt to fare in post-war with volume at a normal peacetime level, or better. On a basis of only \$1.10 per share, recent price permits a yield of about 5%, not only attractive for this reason, but with potentials for improvement.

MARKET ACTION: Recent price—23, near high for the year, compared with a range of high—16 $\frac{1}{2}$, low—8 $\frac{1}{2}$ in 1940.

COMPARATIVE BALANCE SHEET ITEMS (in \$ thousand)

	Dec. 31 1941	Dec. 31 1945	Change
ASSETS			
Cash	\$572	\$744	+\$172
Marketable securities		5	+ 5
Receivables, net	1,484	1,360	- 124
Inventories, net	1,994	1,726	- 268
Other current assets	28	522	+ 494
TOTAL CURRENT ASSETS	4,078	4,357	+ 279
Plant and equipment	1,563	2,476	+ 913
Less depreciation	434	1,418	+ 984
Net property	1,129	1,058	- 71
Other assets	180	181	+ 1
TOTAL ASSETS	5,387	5,596	+ 209
LIABILITIES			
Accts. payable and accruals	1,041	1,029	- 12
Reserve for taxes	1,350	505	- 845
Other current liabilities			
TOTAL CURRENT LIABILITIES	2,391	1,534	- 857
Capital	600	600	—
Surplus	2,396	3,462	+ 1,066
TOTAL LIABILITIES	5,387	5,596	+ 209
WORKING CAPITAL	1,687	2,823	+ 1,136
Current Ratio	1.7	2.8	+ 1.1

Thumbnail Stock Appraisal

Thumbnail Stock Appraisal

In Central America, United Fruit has literally carved out of the jungle a vast "banana empire," playing a leading role in the economic life of the natives.



By Ewing Galloway



United Fruit's large fleet plies between American and some European ports.

UNITED FRUIT

—an Investment audit

By H. S. COFFIN

SOME TEN MONTHS AGO the Magazine of Wall Street reviewed the status of United Fruit Co. as it labored under the complexities engendered by wartime conditions. At that time, with VE Day only a few weeks in the past, investors eyeing favorable postwar potentials had bid the company shares up to a point just over par for the first time in a number of years. Since then the price trend has continued upward, creating an all-time high record of over 150 in recent days, through the stimulus of an announced 3-for-1 split-up. Under the circumstances it appears constructive to again examine the company's background and future prospects as the transition period approaches a realistic stage. Big question of course is whether the longer term outlook warrants such a marked expression of investor confidence as current price levels for the shares would indicate.

In scanning the set-up and operations of this seasoned \$234 million giant enterprise, the picture is so complex that only a broad appraisal is possible.

While some fifty different corporate enterprises owned or controlled by United Fruit lend broad diversification to its business, it is necessary to gauge earnings results on an over-all basis rather than by individual break-downs. To this extent, analysis is limited but, after all, perhaps this is just as well because consolidated figures are the factor of main importance to the investing public. Fortunately, moreover, it is not difficult to envisage the scope of the company's many undertakings and just why so many subsidiaries in the course of a 46-year growth have one by one been tied into a huge entity, functioning each in its own sphere to round out the broad operations of the parent concern.

Empire of United Fruit is most of the tropical Caribbean area, in some respects a direct inheritance from the Spaniards of centuries ago. In contrast to their predecessors, however, United Fruit in the process of extracting hundreds of millions of dollars in natural wealth from the productive Latin-American nations which it serves, has increased their prosperity beyond calculation. Going back for several hundred years, however, the Spaniards little knew how in time to come they were to repay the fabulously rich Indies for all the stolen hoards of gold, by the mere importation from Africa of a few live banana roots. In the humid shore jungles of countries bordering upon the shores of the Caribbean Sea and the Gulf of Mexico bananas flourished, and when introduced to markets in the United States started a business which has since grown to worldwide proportions during the past fifty years. To United Fruit Co. fell the good fortune of first promoting the culture and sale of this nourishing and delicious food on a large scale; by



Photo by Ewing Galloway

The popular banana virtually disappeared during the war, but is rapidly returning to markets.

consistent and adroit expansion of its productive and distributive facilities, the company has become so firmly entrenched that competition is not likely to become a bothersome factor. Fact is that no other enterprise in the American economy can boast such unique fundamentals as those of United Fruit, and not many have prospered so successfully from the start.

Inasmuch as bananas grow best in humid forest swamps, where even native farmers would avoid the task of draining and clearing, the company has gradually been able to acquire some 3 million acres of low-cost land in about a dozen tropical countries. But naturally enough, other valuable crops indige-

nous to these warm climates provide broad diversification to United Fruit's operations, and require more normal facilities for cultivation. Of 437,000 total improved acreage in the company's holdings, 116,000 are devoted to banana plantations, some 96,000 to sugar culture in Cuba and Jamaica and 48,000 to the raising of cacao in Panama and Costa Rica. Other improved acreage sums up to 150,000 acres. In the United States the company owns and operates the old established Revere Sugar refinery at Charlestown, Mass., with a daily output of 2 million pounds, and in Cuba it has substantial facilities for the processing of sugar and molasses.

Transportation and Communications

To operate as the world's largest raiser of foods in relatively undeveloped areas, United Fruit has been obliged to establish huge transportation and communication systems of its own, both on land and on sea. Company owned and operated are nearly 1500 miles of railways and tramways in Cuba, Honduras, Colombia, Costa Rica, Guatemala, Jamaica and Panama, not to mention an additional 1400 mileage of track which is operated but not owned. Through a Guatemalan subsidiary, a very substantial interest in the International Railways of Central America has been acquired also. Original book value of roadway, track and rolling stock is set by the company at more than \$37 million, although liberal depreciation charges from year to year have cut the estimate to \$16.7 million.

The above investments, however, appear relatively small in considering United Fruit Co.'s sizeable outlays for the ships comprising its famous "Great White Fleet." The basic cost of these vessels stands at about \$64 million, now reduced on the books to \$35 million by depreciation and revaluation. Through ownership of this large fleet in normal times, the company has made practical the rapid transportation of green-picked bunches of bananas to markets before the ripening process could occasion spoilage, and in specially refrigerated vessels all kinds of perishables are readily carried. By modernization of its marine equipment, the company's revenues were substantially swelled by passenger traffic which rose to over 50,000 in 1941, and in that same year paid cargo tonnage rose to 1.85 million tons. In addition to its American fleet, United some years ago acquired the British shipping company of Elder and Fyffe, operating a 35 vessel fleet between England, Africa and South America. Investment by United in this overseas subsidiary now comes to a net total of over \$10 million, and the British unit acts as marketing agent for the parent concern all over Europe.

The Repercussions of War

At the outbreak of war the business of United Fruit along normal lines was about as drastically disrupted or interrupted as anyone could imagine. First step by the Governments of both the United States and Great Britain was to requisition the entire fleets in both countries for military use, thus bringing to a halt all activities in the Caribbean and other areas from which the company derived its

UNITED FRUIT'S FINANCES

(in thousands of dollars)

	Dec. 31 1941	Dec. 31 1945	Change
ASSETS			
Cash	\$14,089	\$16,058	+\$1,969
U. S. Gov't securities	11,095	23,134	+12,039
Receivables, net	6,878	12,698	+ 5,820
Inventories, net	3,369	4,224	+ 855
U. S. Treasury Tax Notes	3,000	15,570	+12,570
TOTAL CURRENT ASSETS	38,431	71,684	+33,253
Property, plant, and equipment	259,149	259,367	+ 218
Less depreciation	151,173	145,595	- 5,578
Net property	107,976	113,772	+ 5,796
Other assets	45,968	49,238	+ 3,270
TOTAL ASSETS	192,375	234,694	+42,319
LIABILITIES			
Notes payable			
Accts. payable and accruals	10,059	12,102	+ 2,043
Reserve for taxes	7,735	21,806	+14,071
Other current liabilities			
TOTAL CURRENT LIABILITIES	17,794	33,908	+16,114
Deferred liabilities	1,459	256	- 1,203
Short term debt			
Long term debt			
Reserves	16,740	28,168	+11,428
Capital	118,500	118,500	
Surplus	37,882	53,862	+15,980
TOTAL LIABILITIES	192,375	234,694	+42,319
WORKING CAPITAL	20,637	37,776	+17,139
Current Ratio	2.1	2.1	

normal production. But although almost overnight United was obliged to allow its huge banana crops to rot on the trees until the war's end, its vast experience in the shipping business proved to be a godsend, and its continued activities in the field of sugar also helped to tide over the emergency. While net income trended slightly downward during the first three years of the war, it rebounded upward in 1945, and as the company emerges into a first full year of peace, its status and potentials become interesting to explore.

New Ships Under Construction

At the close of last year, the company was acting as agent for War Shipping Administration in the operation of 27 of its own ships and 77 more owned by the Government, while the British fleet was still under requisition by its relative authorities. By the use of two old vessels and makeshift transportation it became possible in 1945 to resume shipments of bananas on a very limited scale, and by gradual release of the company's refrigerated vessels as the Government's military requirements shrink, chances are good that operations in the Caribbean will become normal within a reasonable time. Already in the past three months some decidedly large shipments of bananas have arrived in American markets; from now on the flow is bound to speed up.

During 1945 United ordered construction of 18 new and modern refrigerator, cargo and passenger steamers, of which six are now in the water and the balance should be delivered by early 1947. Outlays

for these came to about \$3.5 million in 1945 and an additional \$22.6 million has been set aside for payment during the current year. The war has not been too unkind to the company when it comes to plans for financing the construction of so many new vessels, for insurance offset the loss of 20 vessels during the period of hostilities and Washington will credit United with the value of 12 American flag vessels requisitioned during war years. Charter rates, also have been sufficiently generous to enhance working capital after the payment of dividends.

In addition to ship construction, furthermore, the company has been forehanded in starting major improvements to expand production when transportation again becomes normal. More than 11,000 new acres have been planted to bananas which will be ready to harvest later in the current year or early 1947. Meanwhile, old plantations have been attended to, and substantial acreages of African oil palms, rubber, lemon grass and balsa timber have been maintained. In the Dominican Republic, especially, the company has made strides in expanding its activities, while in Guatemala it has carried out a successful experiment in raising bananas on the Pacific Coast, where it is necessary to supplement the rainfall with water sprays. All of these constructive improvements cost the company over \$10.5 million in 1945 and another \$15 million is earmarked for tropical expenditures in 1946. During war years, United successfully operated for the Government some 27,000 acres of abaca (Manilla hemp), but despite the fact that this proved the feasi- (Please turn to page 113)

Statistical Highlights

UNITED FRUIT CO.

	1940	1941	1942	1943	1944	1945
Operating Income before depreciation (\$ thousand)	25,527	32,411	26,622	23,304	37,894	43,206
Depreciation (\$ thousand)	7,870	8,585	9,602	9,228	8,649	8,890
Balance for common (\$ thousand)	14,920	15,442	11,934	10,829	14,745	18,908
% earned on invested capital, after taxes	9.4%	9.5%	7.2%	6.4%	8.6%	10.6%
Earned on common, per share	\$5.10	\$5.28	\$4.08	\$3.70	\$5.04	\$6.46
Earned on common, % of market price*	3.3%	3.4%	2.6%	2.4%	3.3%	4.2%
Dividend rate	\$4.00	\$4.00	\$3.50	\$2.25	\$3.25	\$4.00
Dividend yield*	2.6%	2.6%	2.3%	1.4%	2.1%	2.6%
Current asset value per share	\$12.31	\$13.13	\$15.82	\$20.35	\$22.73	\$24.72
Book value per share	56.92	57.99	59.77	62.12	62.71	67.13
Net current asset value per share	7.33	7.05	10.66	15.37	13.17	13.02
Cash asset value per share	8.76	9.62	7.33	12.12	16.43	18.88
Current Ratio	2.4	2.1	3.1	4.1	2.3	2.1

*Based on recent market price of \$152.

10 Year Earnings and Dividend Record

	Net	Dividend		Net	Dividend
1945.....	6.46	4.00	1940.....	5.10	4.00
1944.....	5.04	3.25	1939.....	4.87	4.00
1943.....	3.70	2.25	1938.....	3.55	3.25
1942.....	4.08	3.50	1937.....	4.08	4.00
1941.....	5.28	4.00	1936.....	4.88	4.25
Ten year totals				\$47.04	\$36.50
Ten year averages				\$4.70	\$3.65
% Dividends Paid					77.6%

Recent Market price of common: \$152

Market value of common: 2,925,000 Shares at 152 = \$444,600,000

Net tangible assets: \$200,786,088

Net tangible assets applicable to common: \$200,786,088

Net current assets: \$37,775,567

Average Earnings (10 year) as % of market price: 3.1%

Maximum earnings as % of market price: 4.2%

Minimum earnings as % of market price: 2.3%

Opportunities...

for Income and Price Appreciation

IN BONDS And PREFERRED STOCKS

By JACKSON D. NORWOOD

THE MAGAZINE OF WALL STREET's Index of Bond Prices showed the following changes for the period indicated:

	On Apr. 6	On Apr. 13	
40 Domestic Corporates	125.5	124.9	— .6
10 High Grade Rails	122.3	122.2	— .1
10 Second Grade Rails	296.9	293.5	—3.4
10 High Grade Utilities	99.5	99.5	
10 High Grade Industrials	105.5	105.0	
10 Foreign Governments	130.4	132.0	+1.6

In the week ended April 6, our Index of 40 Domestic Corporates made a new high since its inception in 1932. This performance was also duplicated by High Grade Rail group.

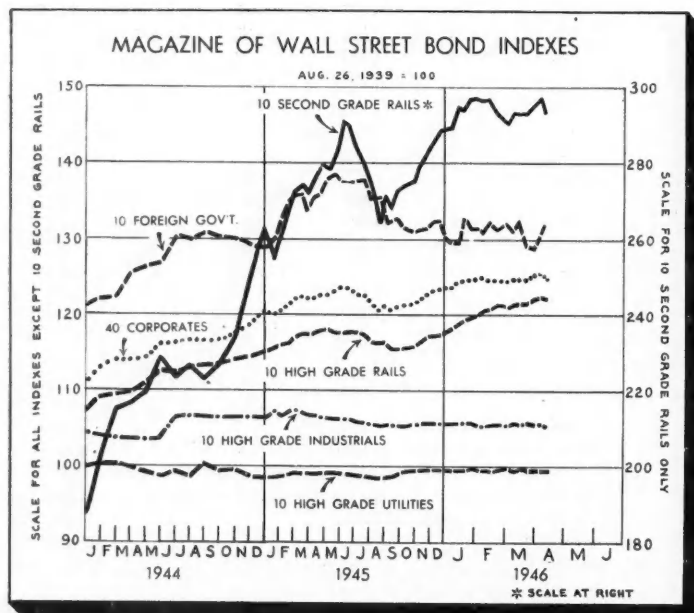
Although the bond list generally has ruled strong over the past fortnight, there are some straws in

the wind worth noting. Reports have been current that conferences are being held between Federal Reserve and Treasury officials and President Truman's advisory council with a view to affecting some modification in the present fiscal policies of the Government. It is understood that under consideration is a possible increase in the reserve requirements of Member banks and the sale by the Reserve System in the open market of some of its large holdings of Government securities. Behind these discussions lies the concern of Federal Reserve officials over the inflationary forces implicit in the large holdings of Federal securities by the banks. These reports were sufficient to cause selling of Government issues and some price weakening. Regardless of the immediate developments in the direction of policy revisions, it is only too apparent that the bond market is vulnerable to any possible stiffening in interest rates—however mild.

The Treasury's announcement of another reduction in the debt—the third this year—brings the total reduction up to about \$6.3 billion. Further reductions appear assured and may run as high as \$15 billion in the current calendar year.

Unless there is a decisive change in market conditions further large refunding issues will put in an appearance this year. According to a compilation of the New York Federal Reserve Bank, new issues of \$10 million or more offered in the first quarter carried an average coupon rate of 2.72 per cent, while refunded issues in the same period had an average coupon of 3.72 per cent. The spread is wide enough to encourage further corporate refundings, the savings being almost as much as in the first and second quarters of 1945 when the average spread was 1.18 and 1.06 per cent respectively.

New financing this year, including



both bonds and stocks, shows indications of attaining the heaviest volume since 1929.

DELAWARE & HUDSON R. R.: This company continues to show improvement in its consolidated balance sheet and making inroads on its fixed debt and charges. The latest step in its debt reduction program was the extension of the \$10,000,000 Albany & Susquehanna 1st mortgage bonds which matured on April 1, 1946. The extension was accomplished with a saving of interest, the rate of the extended bonds being only $2\frac{3}{4}\%$ as compared with $3\frac{1}{2}\%$ formerly. Concurrently, the company has called for redemption on May 2, 1946, the \$7,518,300 outstanding Rensselaer & Saratoga general mortgage bonds which bear interest of 4.7% through 1946 and $5\frac{1}{2}\%$ thereafter. The foregoing step will reduce annual interest requirement of Delaware & Hudson R.R. by \$428,360. The total funded debt of the company will be reduced to \$40,780,100, a decrease of more than \$32,000,000 since the program was instituted a few years ago.

HIGHER GRADE RAIL

LIENS: Railroad bonds in this category as measured by Dow Jones price index of 10 such issues recently pushed to record top reaching 119.72, which was the highest since inception of Dow Jones bond averages in 1915. The record low of 69.60 was reached back in 1920. Atchison general 4s of 1995 sold at a high of $140\frac{3}{4}$ while Norfolk & Western of 1996 reached 142.

SOUTHERN NATURAL GAS CO.:

This company has under consideration a plan for refunding its approximately \$15,000,000 of mortgage bonds and serial notes outstanding, according to the annual report for 1945. The new securities to be issued for the purpose would cover also, according to present plans, recent expenditures for construction and funds to purchase the capital stock of Mississippi Gas Co. and the Chattanooga Gas Co. Maturing of its financing plans has been deferred by the company to date pending decision of the Securities & Exchange Commission on the company's application made last Fall for permission to acquire the Mississippi and Chattanooga capital stocks.

INTERNATIONAL PAPER CO.: Stockholders will vote at the annual meeting on May 8th on a proposal to authorize the Board of Directors at its discretion to issue 400,000 shares of a new class of preferred stock, with or without a limited amount of common, in exchange for an equal amount of

present preferred stock. Present holders of the company's 5% preferred shares now have the option to convert each share to $2\frac{1}{2}$ shares of common stock. Approval of the proposal would put directors in a position, if conditions warrant, to give present preferred stockholders a second option. In commenting on the proposal, the company's President said that the exact terms of the exchange offer could not be stated at this time, as they would have to be based on conditions existing at the time the offer is made. The dividend on the new preferred stock may not exceed \$4.50 per share, that it will not be redeemable prior to July 1, 1949, and that the initial redemption price may not be more than \$120 nor less than \$105 a share. If any common stock is to be included in the exchange offer the amount may not exceed one-quarter of a share of common for each share of preferred.

PANAMA BANK BONDS:

Holders of guaranteed sinking fund $6\frac{1}{2}\%$ 20-year bonds, series "B", due May 1, 1947, of the Banco Nacional de Panama are being notified that all of these bonds outstanding will be redeemed on May 1, 1946, at $102\frac{1}{2}$ and accrued interest. Redemption will be made at the Trust Co. of North America, New York City.

COMMONWEALTH GAS CORP.:

This company will retire on May 6, 1946, \$4,625,400 of its 6% income debentures, which will leave the company with only its common stock in the hands of the public.

AUSTRALIAN BONDS: Australian bonds which were heavily sold by U.S. investors when Japan was going on to new victories, have recovered to sell at around their best levels on record. The 5s of 1955 recently reached 110, only $1\frac{1}{2}$ points from the record top reached in November, 1936. During March, 1942, these bonds touched a low of 38. The issue is redeemable on July 15, 1952, at 100 and on any interest date thereafter. Incidentally, these issues reached their all time lows, not during the war years, but in the early 1930's when England abandoned the gold standard. At that time, 1931, Australian 5s of 1955 sold down to 35. The Commonwealth has never defaulted on either principal or interest of its external dollar debt. While it is true that the total indebtedness of the Commonwealth is now considerably larger than before the war, future revenues are expected to be adequate for debt service needs.

(Please turn to page 110)

Suggestions for Current Investment Funds

Bonds:	Recent Price	Call Price	Current Yield
Amer. & For. Pwr. Deb. 5's, 2030.....	\$108	\$106	4.0%
Int'l Tel. & Tel. Deb. 5's, 1955.....	106	105	4.7
Lehigh Coal & Nav. S. F. $3\frac{1}{2}$'s, 1970.....	105	105	3.3
N. Eng. Gas & Elec. Assn. Deb. 5's, 1950.....	101	$100\frac{1}{2}$	4.9
N. Pacific Ref. & Imp. 5's, "C", 2047.....	111	105*	4.5
Pittsb'gh & West Va. 1st $4\frac{1}{2}$'s, 1958-60.....	$101\frac{3}{4}$	102	4.4
Southern Pacific Deb. $4\frac{1}{2}$'s, 1981.....	108	110	4.1
Preferred Stocks:			
Assoc. Dry Goods \$7 2nd Pfd.....	\$142	N.C.	4.9%
Baldwin Locomotive \$2.10 Pfd.....	$41\frac{1}{2}$	\$40	5.0
Barker Bros. $4\frac{1}{2}\%$ (\$50 Par) Pfd.....	$55\frac{1}{2}$	55	4.0
Columbia Gas & Electric \$6 Pfd.....	111	110	5.4
Curtis Publishing \$4 Prior Pfd.....	$75\frac{1}{2}$	75	5.3
Sharon Steel \$5 Pfd.....	105	105	4.7
Stokely-Van Camp \$1 Prior Pfd.....	22	21	4.5

*Not prior to July 1, 1952. N.C.—Not callable.

BUILDING Your Future Income...



EDITORIAL:

Create Your Own Opportunity

Once asked why so much time was consumed and such large sums of money were spent before a new product would be placed on the market, Charles F. Kettering, of General Motors said, "I am not afraid of General Electric or Westinghouse. I am afraid of some young man working in a barn."

The young man working in a barn or cellar somewhere is no mere figure of speech. He may be working on a brain child which could in time make valueless, millions of dollars in plant equipment and greatly upset established markets. Big business has every reason to be afraid of these mechanical and engineering tyros for they realize what a driving force ambition and a touch of genius can be. These young men have an idea which they are clinging to with a terrier-like grip and are willing to devote long hours of work to giving it reality and perfection.

• This Department is dedicated to serve men in building up a reserve through every known means that will create stability—bringing the comforts and joys of life—and happiness.

It's our contribution, too, toward the firming of the foundation of our economy so that we will retain our status as free men and women in a new world.

To you, our subscribers, we extend an opportunity to assist in spreading this doctrine toward security and right thinking—in the schools and universities, and in your own homes and offices.

We are happy to cooperate and serve.

C. G. Wyckoff, Publisher.

A young man inspired with a creative urge can make for himself endless opportunities. The urge to do something or to have something which is solely the fruit of one's own efforts is age old. It finds expression everywhere not only in mechanical marvels but in the myriad of small and successful businesses which abound in the United States. Its fruits are to be found in our books, our music and our theaters.

If you have that urge don't let it "die a boring". Do something about it for it may well spell opportunity with capital letters. Don't be discouraged if progress is slow and not as lucrative as you hoped. Mistakes too are the essence of the creative

urge and lead in time to perfection ... if they are heeded and corrected. Opportunities are made and everyone has within himself the power and ability to make his own.



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WHAT TYPES OF PROPERTY qualify for the GI Home Loan? . . . For what purpose may I borrow? . . . these are two very basic questions frequently asked by former servicemen. Some ex-GI's have had the impression that the home loan privileges applied only to the purchase of a home—and this misunderstanding often has been confined to new home purchases. It is gratifying, however, to note that the Servicemen's Readjustment Act of 1944 (GI Bill of Rights) is quite elastic in providing solutions for the varied financing problems of Veterans who wish to buy, to build, to refinance or to renovate homes.

The GI home Loan, being a real estate loan, generally is secured by a first mortgage on the borrower's property. Therefore, it is logical to consider eligible properties first in this discourse. The government's prime requisite specifies that the property must be suitable for *dwelling purposes*. Uncle Sam also specifies that the property may not exceed a 4-family unit in size. This range from a single family unit to a 4-family apartment house has enabled the Veteran to shop in a broader market (two or more Veterans may purchase or construct a residential property in excess of four separate family units . . . with one unit added to the basic four units for each Veteran participating. This proposition is processed as a business loan). Many ex-GI's have made fairly reasonable buys in 2-family homes where two residential units often may be obtained practically for the same price as a single family . . . or, at least, on a more favorable price basis in today's high market. Purchases of this type have permitted the Veteran to benefit by rental income from the extra apartment unit occupied by his tenant. A combination home and business property also is eligible for the GI Home Loan . . . this elasticity takes care of most of the financing needs of the ex-soldier who wishes to make a home purchase.

Other home loan "assists" in the GI Bill of Rights provide for financing (1) improvement of the residential property already owned and occupied by the Veteran (2) payment of delinquent taxes and assessments levied against the returning serviceman's home (3) refinancing of an existing mortgage if it is in default and refinancing facilitates the ex-soldier's economic readjustment. A Veteran may need an additional room to accommodate a growing family . . . unpaid real estate taxes may have accumulated during his absence . . . these are typical problems which were anticipated in drafting the Readjustment Act.

To protect the Veteran from being victimized in some purchase transactions, the Government will

G. I. HOME LOAN

Privileges

☆ ☆ ☆

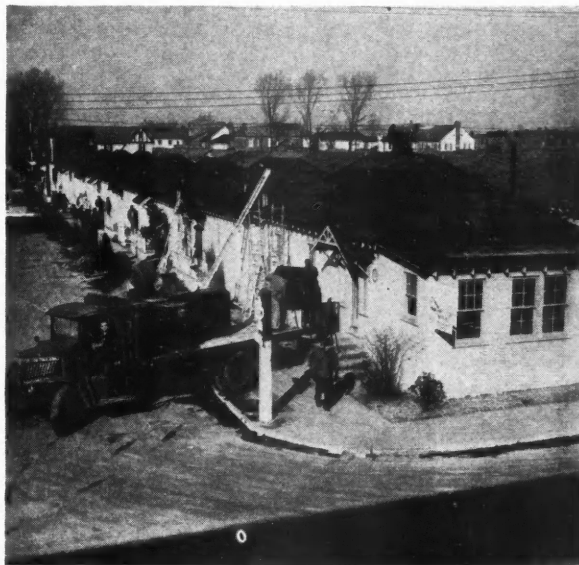
By NATHANIEL M. GIFFEN, JR.

not approve the granting of a GI loan on any property where the purchase price or construction costs exceeds the appraised value determined by the Government-approved appraiser. Accordingly, a GI loan may not be advanced although the ex-GI may wish to pay in excess of the appraisal. No encouragement is given to price padding which would be detrimental to home-hungry Veterans as a group. In view of this policy, it is advisable for the former serviceman to ask for a purchase agreement which provides for his release and the return of his down payment if the purchase price or cost exceeds the Government-approved appraisal.

Another protective measure to save the Veteran financial difficulties is the rule that monthly carrying charges cannot be (Please turn to page 110)

Veterans desiring to buy or build a home will have the benefit of liberal loan privileges

Photo by Press Association



Building An INSURANCE Estate

By EDWIN A. MULLER

MANY OF OUR READERS have written raising further questions concerning their specific Life Insurance and Annuity Contracts. The sum total of these questions indicates that the American business man and woman is more "income conscious" than ever before. They want to know how much income they can obtain from an immediate investment either in a lump sum or a future income based on making annual deposits with the life insurance companies.

Let us assume that the individual was a young man age 25 when he bought his first Ordinary Life policy for \$5,000; 28 years old, at the purchase of an additional \$5,000; and that by the time he was 38, he had acquired a total Life Insurance Estate of \$30,000. Dependents and beneficiaries included his wife, three years his junior, and two children. All dividends credited to the policies were allowed to accumulate and all policies were Ordinary Life. The paramount function of his life insurance was to provide for the beneficiaries in the event of the death of the insured. By the law of chance, our insured has an excellent prospect of surviving to reach age 65. Should average longevity permit him to attain this age, his children now adults, will probably have

Photo by Ewing Galloway



cash value and dividend accruals, he could obtain a life income of approximately \$120 per month guaranteed for fifteen years from date of retirement. The remaining third of his life insurance estate could be surrendered and the cash value and dividend accruals placed under the so-called "Interest Option". This fund would earn interest of \$20 per month. The total income including social security benefits would then be \$180.

Meanwhile he has also provided for "Mrs. Insured", should she survive her husband. If she were 70 at her husband's death, (and statistics have it that longevity favors women), she would receive approximately \$20 per month from social security benefits. Moreover she would receive \$120 per month from her husband's retirement plan. The original arrangement provided not only a life income for her husband but for a guaranteed period of at least fifteen years from whatever age the insured selects for retirement. The fund which had been on the "Interest Option" would now be on the Life Annuity Option by previous arrangement, transferred to her name. Naturally the younger the age of retirement, the lower the income rate.

Let us recapitulate the total figures. Lucky "Mrs. Insured" would receive \$200 per month, until she is 77 years old, and if she lived beyond that, about \$80 per month for life!

I have purposely taken a modest Life Insurance Program and illustrated some of the unique benefits which can accrue to an insured and his family with large protection to his children during their early years. Of course this income receives the benefit of favored income tax consideration. In comparison it would require a considerable amount of property, stocks, bonds and real estate, to produce a similar net income in these days of low interest rates and high income taxes.

Thus the life insurance policy provides a definite solution to every man's problem of immediate family protection as well as future retirement income, and failing and guaranteed by contracts of the life insurance companies.

To the young estate builder, Life Insurance offers many worthwhile inducements.

married and become economically independent.

The following figures and results are based on settlement options and dividends over the past few years. If the insured at three score and five years decided to retire, he would find himself in the following financial position. As a salaried employee he would probably be entitled to social security benefits of about \$40 per month. By surrendering two-thirds of his life insurance and using the

TO THE AVERAGE person having little or no experience in the field of investment, common stocks usually suggest speculation and great risks which the "little fellow" only realizes after it is too late and his money has been lost. This popular conception is admittedly not without its elements of truth. Common stocks are undoubtedly widely employed as a speculative medium—but so is real estate. The small business man when he buys his inventory is speculating on his ability to find customers to take it off his hands at a profit. And that is precisely what a speculator in common stocks does, unless of course he is "short." Then he is speculating on his ability to buy stock at a price lower than that for which he sold it.

But utilized as a medium for building an estate in which the objective is capital appreciation and a share in the profits of a company through regular dividend payments, common stocks can present a pretty impressive case in their favor. It would be possible to cite any number of instances where comparatively small sums invested in the shares of General Motors, General Electric, and many other large corporations were the cornerstone of large fortunes. Nor were these fortunes largely fortuitous. They were realized in many instances by small investors who had foresight and patience. They were neither gambling nor speculating.

Moreover, it is particularly noteworthy that listed on the New York Stock Exchange are 159 common stocks which have paid continuous dividends, year in and year out, from 25 to 98 years!

Further evidence that common stocks are not solely the province of traders and speculators is to be found in the fact that large portfolios of common stocks are held in endowment funds of leading colleges and universities, trust funds and estates.

To lay a sound and permanent foundation for a future estate created through common stocks, it is not necessary to stray far afield trying to find another General Motors or General Electric. By sticking close to conventional lines, acquiring only the shares of established companies identified with growing industrial fields, the normal investment risks are considerably mitigated, without in any way limiting the possibilities for long term capital increment.

For a long time after the industrial and financial collapse of the late '20's the belief was general that we would never witness another era in which common stocks were bid up to such "fantastic" prices. But today there are many common stocks which are selling substantially above their best 1929 prices—not because they have been subjected in the interim to rife speculative manipulation—but because the

Building an Estate with Common Stocks

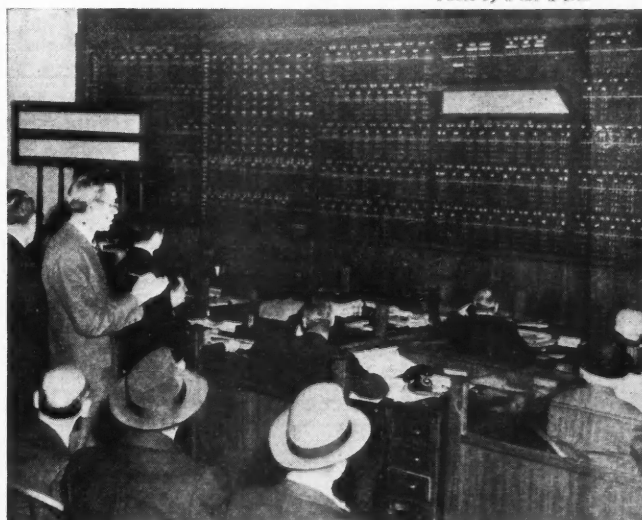
By ROBERT PITMAN

passing years have brought sound growth, greater earnings and larger dividends to stockholders in these companies.

The fact that most common stocks, and particularly those of investment caliber, are currently selling at prices which have been rising steadily over the past four years brings up the question: Is the present a good time to start an estate building program giving emphasis to common stocks? As so frequently is the case in investment decisions, the answer must be a compromise one. In any investment program extending over a period of years it will inevitably be found that some issues were acquired at high prices, others at low prices, and others somewhere within the broad cyclical range of common stock values. It will be the average price which will measure the success of the program. To acquire a large list of common stock when prices are depressed and sell them all when prices are high, is an achievement which only a few professional investors can boast. (Turn to page 110)

Typical Board Room scene, where the latest stock prices are shown.

Photo by Wide World



FOR PROFIT AND INCOME



No "Confirmation"

The Dow-Jones industrial and utility averages have recently made new bull market highs, but the rails have not. That leaves the market "out of gear," according to the Dow-Theory oracles, and requires that trend prospects be viewed "with reserve." To the writer, this is traditional mumbo-jumbo. When the Dow Theory was formulated, many years ago, car loadings were the best indicator of distribution, in the absence of comprehensive retail trade statistics which we have today. Then, also, rails were the "conservative-investment" section of the market, which they certainly no longer are. Because of changed conditions, Dow-Jones at one time debated removing rails

from the Theory and substituting another "check"—perhaps operating utility stocks—against the industrials, but gave it up. The tradition has some value. Besides, rails have eventually "confirmed" every bull or bear trend—as must any major group of stocks in any basic industry. The weak spot in the Theory is the time lag. On occasion, rails have taken weeks, or even months, to follow the general market to a new high, because of "special conditions." Today rail earnings are poor and a protracted freight-rate case looms ahead—but general business is booming. We do not see any mystical significance in this divergence—except that if enough people think by tradition, instead of logic, it will have a market influence.

Air Line Stocks

In relation to probable earnings for this year, perhaps for a longer time, air transport stocks seem among the most richly priced—if not over-priced—issues in the market. This group has yet to come close to last year's bull market high, with the exception of Eastern Air Lines. In this case the difference is not mainly earnings or prospects, but a pending 4-for-1 split. The purpose of the split is to facilitate stock financing for long-term expansion. Dividends of real magnitude may be somewhat distant, because of capital needs. This is an example of distortion by split. Investors will fare best over the long run by carefully weighing comparative values. A split can put a magnifying lens in one's spectacles, without changing the underlying reality.

Retail Trade Shares

Many of the retail stocks have looked "tired" recently. Maybe it is just a rest, after an advance far above average. Maybe they will come to life during the traditional summer rise in the market, a season in which they often have been among the market leaders. But it is hard to see how earnings can get any better than current rates, and speculation thrives not on present fact but hope for the

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		Latest Period	Year Ago
Amerada Petroleum	Year Dec. 31	\$6.84	\$6.70
Bell Aircraft	Year Dec. 31	11.68	9.53
Cerro de Pasco Copper	Year Dec. 31	1.33	.92
Evans Products	Year Dec. 31	3.12	1.72
Gorham, Inc.	Year Jan. 31	2.55	1.37
Humble Oil & Ref'g.	Year Dec. 31	3.94	3.37
Hupp Motor Car	Year Dec. 31	.45	.31
Krueger Brewing	Year Jan. 31	1.97	1.25
Libby, McNeill & Libby.....	Year Mar. 2	.93	.87
Russeks Fifth Ave.	Year Feb. 28	2.53	1.61

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future. Since earnings are abnormally good, there is a question whether dividends, although heading up, may not remain somewhat conservative in terms of percentage of profit distributed. Recent bull-market highs in most cases—especially for department store issues—were all-time highs: far above the 1937 highs, also above 1929. We have been bullish on these stocks, but are not now inclined to enthuse. We guess they can work still higher, but from here on we would be more inclined to pare down speculative holdings on strength than to do more buying.

Free Rides

Far be it from this department's general philosophy to deplore the biggest rush of new-capital stock financing since 1929. The country has long missed getting venture capital to go to work that way. But any good thing can be abused. Newly-floated stocks of most small, little-known companies are radical speculations. Some will pay out over the long run, some will not. Either way, it will take time for the real story to be written. Yet in many cases new issues are promptly run up to prices much above the offering prices. That reminds us of 1929, when "free riders" were clamoring to be "let in" on offerings of all kinds, feeling certain that the new stocks would go up, or be put up, in a matter of hours. That was some of the easiest money we ever saw—while it lasted. But there is something basically unreal about fast mark-ups of new issues. It is too much like a speculative bubble. We don't say it is about to bust. It might continue for months. But don't kid yourself that it is normal. When money seems to grow on trees, as it has been doing for many of the "free riders" in new stock issues, this writer gets a distinctly uneasy feeling.

The Reports

An oft-heard argument for a hesitant, or lower, market is that a number of first quarter earnings reports will be poor. True enough, but on the other hand, as we have noted before, a number of them will be good. Suppose in-

dividual stocks pretty much ignore the non-surprising poor statements and celebrate the good ones. Could be, since it is a bull market. The first of the big ones to report was American Telephone, with a nice gain. Among the limited number of other statements thus far released, wide gains—probably wider than had been expected—are shown by Container Corp., Alpha Portland Cement, Johns-Manville, Barker Bros., Gillette Safety Razor, Sutherland Paper and Owens-Illinois Glass.

With Awe

We cite with awe, rather than pride, that Atlas Corp. warrants recently moved up as high as 13 $\frac{3}{8}$ %. Back in 1942 they were recommended in the Magazine at $\frac{1}{4}$. They stay ahead of statistical value, if you could call it that. For one warrant, now costing \$13.625, plus \$25, you can get a share of Atlas Corp. for a total of \$38.625, but you can buy the same thing in the market currently for \$33. However, the Atlas warrants represent one little flyer that this column will stick with—largely for the fun of it—until convinced the bull market is about over. We are curious to see how big a percentage profit (it is now around 5,440%) this thing can be stretched into.

Looking Ahead

We are now almost a third of the way through this year. Taking stock, it still appears that, despite the strikes, bottlenecks and price squeezes here and there, total business profits for the full year may top 1945 and, at worst, will certainly about equal it. More individual industries will be

up than down. To cite only some of the more important ones on the up side, there will be building, chemicals, food products, retail trade, drugs and cosmetics, movies, home furnishings, metal fabricating, electric utilities, paper, textiles and tires. In terms of market interest, the only important ones sure to be lower than for 1945 are autos and auto parts, oils and aircraft.

Acting Well

Stocks currently acting well, to name but a few, include American Home Products, Abbott Laboratories, Bell & Howell, Campbell, Wyant & Cannon, Celanese, Flintkote, International Paper, Sutherland Paper, Union Carbide—and just about all the oils.

Not So Good

Stocks not performing at all well at present, again to name but a few, include Curtiss-Wright, Lockheed, National Airlines, National Distillers, Patino Mines, Philco Corp.,—and just about all of the speculative rails.

Utilities

There is a good chance that electric power use will pass the wartime peak by next winter. Allowing for tax savings on the one hand, realistic rate cuts on the other, many utilities are likely to better 1945 earnings by a margin wide enough to warrant some increase in dividends. The candidates, not exclusive, which this column herewith nominates are American Gas & Electric, Commonwealth Edison, Consolidated Gas of Baltimore, Philadelphia Electric and Public Service of New Jersey.

DECLINES SHOWN IN RECENT EARNINGS REPORTS

		Latest Period	Year Ago
American-Hawaiian S.S.	Year Dec. 31	\$2.74	\$3.06
Anaconda Copper Mining	Year Dec. 31	2.35	3.62
Anaconda Wire & Cable.....	Year Dec. 31	1.53	2.90
Campbell, Wyant & Cannon Fdry.....	Year Dec. 31	1.52	1.88
Dr. Pepper	Year Dec. 31	1.40	1.49
Driver-Harris	Year Dec. 31	3.15	4.07
Ford Motor Co. of Canada.....	Year Dec. 31	1.01	1.90
Heyden Chemical	Year Dec. 31	2.77	2.82
Master Electric	Year Dec. 31	1.75	2.05
Thermoid Co.	Year Dec. 31	.63	1.11

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope*.
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

New York Shipbuilding Corporation

Please furnish report on New York Shipbuilding Corporation of Camden, New Jersey.

J.F., Atlantic City, N. J.

New York Shipbuilding Corporation is one of the largest ship builders on the Atlantic Coast. Capitalization consists of 325,000 shares (\$1.00 par) Participating stock and Founders stock, 175,000 shares (\$1.00 par) outstanding. Aviation Corporation has controlling interest through holdings of Founders stock.

Gross billings for year ended December 31, 1945 amounted to \$117,074,844. Net income was \$3,750,443, compared with \$172,934,297 and \$4,331,126, respectively, in 1944. Balance sheet of December 31, 1945 showed total current assets of \$64,075,176, which included cash and equivalent of \$54,823,668; total current liabilities were \$52,554,363, which included \$39,749,825 in contract collections, reserved against future costs, price adjustments and terminated contracts. Net current assets were \$11,520,813. Earnings on each class of stock for the past five years were as follows: 1945, \$7.50; 1944, \$6.62; 1943, \$7.06; 1942, \$6.08, and

1941, \$6.15. Dividend of \$3.00 was paid in each of the past five years. Drastic naval contract cancellations will reduce billings and earnings sharply during 1946, thus maintenance of the \$3.00 annual dividend rate is doubtful. Gross value of uncompleted work on contracts, at December 31, 1945, amounted to \$68,620,120.

As outlook is uncertain, the stock has less than average attraction.

International Petroleum, Ltd.

I recently purchased International Petroleum of Canada listed on the Curb Exchange. Will you please let me know what type of petroleum business they are in? Do they refine their products or just mine the crude oil? What company are they affiliated with, if any, and if they refine their products, what trade names are they sold under? In other words, please give me the history of this stock.

R.W., Philadelphia, Pa.

International Petroleum Company, Ltd. was incorporated under the laws of the Dominion of Canada in August 1920, as a merger of International Petroleum Company, Ltd., incorporated in September 1914, and Tropical Oil Company of Delaware.

Company is engaged in production and refining of crude oil.

Supplies the local trade in Peru with gasoline, refined oil and lubricating oil in cases and drums and exports gasoline and refined oil to Brazil, Chile, Central America, Europe and Panama; also supplies the local markets with fuel oil in boats and furnishes fuel oil to Chile. Crude oil is exported to Canada, Argentina and Europe. Company operates in South America with producing properties in Peru. Also has 500,000 acre concession in Ecuador.

International Petroleum Company, Ltd. is controlled by Imperial Oil, Ltd., which in turn is controlled by Standard Oil of New Jersey. 60% of the common stock is owned by Imperial Oil Ltd. Recent annual earnings were as follows:

1941	\$1.23
1942	.94
1943	1.10
1944	1.25

\$1.00 in dividends was paid in 1945 and this is subject to a 15% Canadian tax, payable at the source. As outlook for company appears favorable, we recommend retention.

Zonite Products

I have at the present time a small investment in Zonite Products Corporation and am curious to know the possibilities of it.

Dr. J. E., Detroit, Mich.

Zonite Products Corporation manufactures and distributes tooth paste, antiseptic liquids, tonics, moth-proofing chemicals, cleansing preparations, floor wax and drugs. Capitalization consists solely of 825,656 shares of common stock outstanding. Net sales of \$5,778,603 was reported for 1945, an increase of 23.2 percent over the 1944 volume of \$4,689,962.

Net profit after \$626,301
(Please turn to page 118)

Keeping Abreast of Industrial and Company News

Sales by United States Rubber Co. during the 1946 first quarter, were substantially above those in any relative period of previous peacetime years, reports Herbert E. Smith, president. Shareholders with a little patience may receive more liberal treatment at the right time, he hints.

Total orders to April 1 for Graham Paige Frazer automobiles and farm equipment have neared the half billion mark, according to President Joseph W. Frazer. Production of the new Rototiller for farms is speeding up and within a few weeks is expected to tax one-shift potentials.

During the last decade, canning of domestic crab meat as grown from a modest 350,000 pounds valued at \$130,000 approximately, to a peak of 1.4 million pounds valued at nearly \$1.2 million, says W. C. Stolk, vice president of the American Can Co. Absence of recent Japanese competition may be partly accountable.

First change in ownership of Merrimack Manufacturing Co., oldest textile mill in the country and incorporated in 1822, is announced by Jacob Ziskind, president of the new buyers, Brookside Textiles, Inc. Price paid was \$1.7 million plus an additional sum for inventories.

Rapid acceptance of air freight by shippers is disclosed by Harold Crary, vice president of United Air Lines, in reporting a 273 1/2% increase by his company during March over February. Total ton miles of air freight in March came to 221,871, airborne items including pelts, telephone equipment, flowers, serum, clothing and automobile parts.

Bright prospects for tremendous activity by Chrysler Corporation are shown by financing steps recently taken by this concern. B. E. Hutchinson, vice president, reports that the company's \$100 million revolving credit has been extended to 1951, with 90 banks in 30 states participating in the loan.

Stephen Early, once White House secretary and now vice president of Pullman, Inc., thinks that ten years of record car construction will be needed to supply new lightweight passenger cars to the railroads in order for them to meet competition. Continued material shortages caused by strikes in supplier plants is currently hampering production, he reports.

Effects of the coal strike and scarcity of essentials are creating a new wave of shutdowns throughout industry. Latest is Philco Corporation, whose president John Ballantyne regretfully announces that the main plant in Philadelphia will have to close from April 22 to May 6, affecting 3,500 employees.

Since 1944, progressive Spiegel, Inc., Chicago, has added more than 100 retail stores to its chain. Latest newcomers to this family are J. & R. Motor Supply Co., operating 54 stores in the Midwest. By this acquisition Spiegel enters the motor supply field for the first time, marking a major step in plans to achieve sales in five different merchandising classifications.

Disposal of surplus war plants by the Government is making important headway, indicating a high degree of confidence by large concerns as to future potentials.

International Harvester Co. has made a good bargain in securing for some \$6 million the Federal-owned Curtiss-Wright plant at Louisville which originally cost \$13 million. And IHC proposes to spend another \$10.6 million to expand and modernize the new facilities.

The War Assets Administration has also leased the \$19 million aluminum plant at Troutdale, Oregon, formerly operated by ALCOA, to Reynolds Metals Co. Annual rentals will range from an early \$529,000 up to above \$1 million in later years. By acquisition of this third huge Federal aluminum plant, Reynold's integrated production will give real competition to Aluminum Company of America.

Heralded competition between plastics and other materials is rapidly becoming realistic. Already exhibited are plastic shoes with plastic soles, and now comes American Viscose Corp. with the first plastic hat. Combined wool and plastic fibers are claimed to be water repellent and retain the hat's shape.

Predictions by Monsanto Chemical Company, also, are that by combining woolen goods with the company's Resloom synthetic resin, the coolest summer suits ever made will appear on the markets. The new fabric will be thin but strong, and will not crease easily.

Even shirts and collars are likely to achieve permanent starching, if United States Rubber Co. has its way. An invisible synthetic resin applied to the textiles at time of manufacture does the trick, and will be unaffected by laundering or dry cleaning. It is applicable to sheets, curtains and dresses of any color, too.

Chances that silk may soon resume its fight against rayon are enhanced by official reports from Japan that 55,000 bales of raw silk may soon be on the high seas America bound. And Allied Headquarters announce plans to produce 78 million yards of Japanese silk fabrics for export in 1946.

By installing a transmitter on the summit of Mount Wilson, California, 6000 feet above sea level, a subsidiary of Paramount Pictures has begun television broadcasts. While the new venture will have a radius of 100 miles, it will eventually serve as a link in a nationwide network.

Metallic tires developed by Goodyear Tire and Rubber Co. are being successfully used in logging and mining areas where conventional types could not survive. Wire instead of fiber cords is bound with rubber components and the sheets are laminated to form the tire.

Nylon, having won supremacy in the stocking field, now promises to compete with leather in the manufacture of wallets, seat covers, handbags and panelling. Just emerging from the experimental stage in du Pont Co. plants, the new material is produced as a sheet in any desired thickness and will come in many colors.

How diversified are the supply sources of A & P Stores is shown by reports that poultry men in 41 states received nearly \$56 million for their products in 1945 alone. With beef on the scarcity list in the current year, and poultry supplies at a record high, the chicken raisers are sitting pretty.

On May 8, stockholders of Gaylord Container Corporation will vote on a proposal to split the common on a 3-for-1 basis. Plan is to reduce the par value of the shares from \$5 to \$1.66 2/3. As each share of preferred is presently convertible into 2 shares of common, hereafter the basis will be changed to read 6 for 1, if holders of the senior issue wish to convert.

Heyden Chemical Corporation also plans a split-up in its common shares. At a special meeting called for May 3, a 2 1/2 to 1 split proposal will be made to shareholders, by the process of reducing the par value from \$2.50 per share to \$1. To finance the company's recent purchase of American Potash & Chemical Corp from the Alien Property Custodian, new preferred is likely to be authorized.

★ The Business Analyst

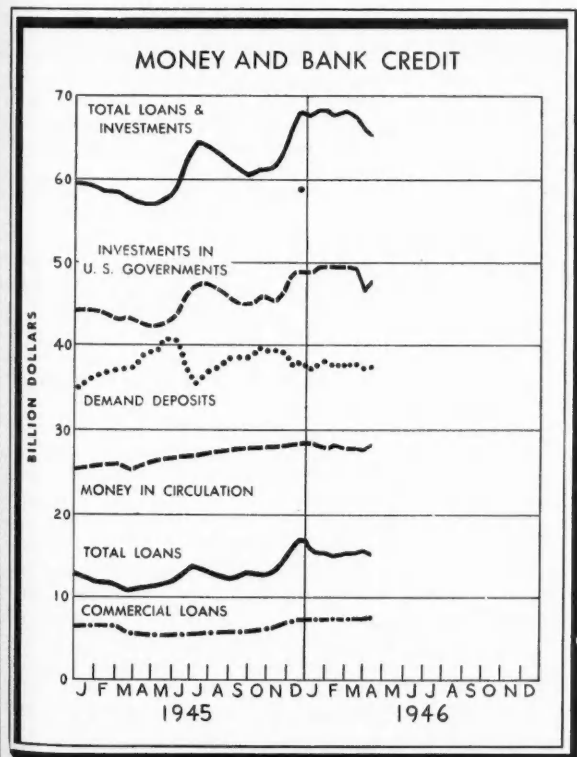
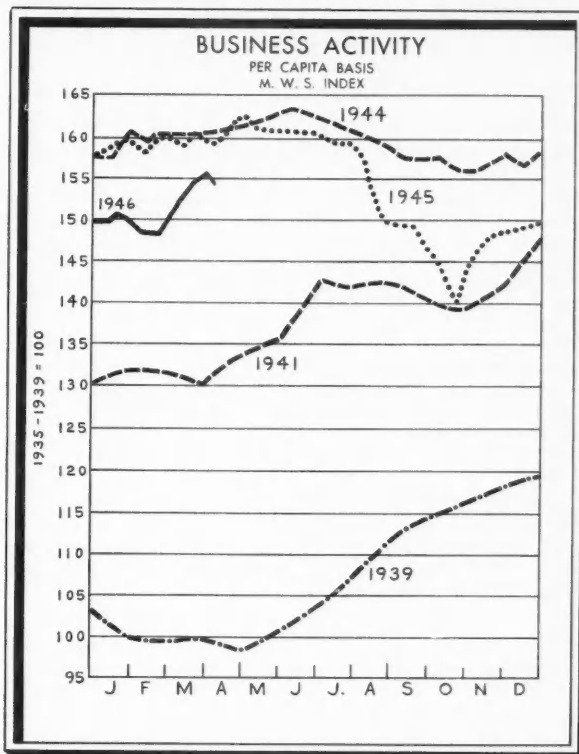
SUMMARY

MONEY AND CREDIT—Treasury now estimates Federal deficit may be cut to \$22 billion in current fiscal year and wiped out in fiscal 1946-7. An additional \$1.58 billion of Federal securities will be redeemed in May out of the Treasury's cash balance, which now stands at \$21.8 billion. This will make a total reduction of \$6.36 billion since March 1 in the Federal gross debt. No reduction in income tax rates, however, is expected this year. Administration ponders higher interest rates. President Emil Schram of the New York Stock Exchange says banning of margin trading leaves the securities markets "ill-prepared for periods of liquidation."

TRADE—Department store sales in the week ended April 6, which was the second week before Easter this year, showed an astounding increase of 50% over the like week last year, which was the first week after Easter when sales always slump sharply.

INDUSTRY—Business activity sagged to a level nearly 4% below last year during the second week of the coal miners' walk-out; but should recover to new all time heights after the present strike wave subsides.

COMMODITIES—Owing mainly to a rise of 10 cents a barrel in the ceiling price on crude oil, the M. W. S. index of raw materials spot prices has advanced since our last issue to a new high; but all commodity indexes



reacted subsequently upon news that the Pace bill will not be pressed as a rider to other legislation.

* * *

Under impact of the work stoppage at bituminous coal mines, **Business Activity** receded about 4% in the fortnight ended April 13 to a level nearly 4% below last year at this time. Cessation of soft coal production is also being reflected in sharply lower car-loadings, moderate curtailment in steel operations, and a minor dip in electric power output. All of these disturbances will become more pronounced with each week that the strike continues; but a rebound in business volume to new heights may be looked for after major labor-management disputes have been settled.

* * *

The 80-day strike at International Harvester plants has been settled, and it is hoped that a similar outcome of labor stoppages at Case and Allis-Chalmers plants will permit prompt resumption of production on direly needed farm implements. This is among the few rays of sunlight breaking through an otherwise beclouded labor sky.

* * *

Labor unions have filed more than 300 notices of **Intention to Strike** within the next 30 days—a new high record for any four-week period. **Copper** production has now been cut to around 10% of normal by the walk-out at Anaconda's mines and smelters, while imports of the metal are going to be hampered by

(Please turn to following page)

Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre- Pearl Harbor
PRESENT POSITION AND OUTLOOK					
(Continued from page 105)					
England's action in raising the price to 13 cents, against our OPA ceiling of 12 cents.					
* * *					
But it is well not to dwell too long upon such temporary obstacles to reconversion. To followers of the M. W. S. index of business activity, President Truman's dramatic announcement of the Spectacular Rise in Production of consumer goods and services during March was not news. In fact it was predicted in this column, prior to the last presidential election, that the country would witness post-war prosperity of unprecedented dimensions, whoever might be elected, for which the Administration then in office would claim credit.					
* * *					
Subject to temporary interruptions, the nation is entering upon a business boom which may endure for several years to come. The chief danger in inept Government policies now is not that they can greatly impede business progress during these years of Reconstruction Prosperity , but that they may sow the seed for bushels of trouble later during the inevitable post-boom depression.					
* * *					
Among the more prominent sources of potential trouble for future years is the Government's policy of Low Interest Rates , which depreciate the value of the investor's dollar and discourage thrift. People are going to find themselves with a relatively small, and highly volatile, nest-egg of savings to tide them over the next depression.					
* * *					
Conditions are similar in England today where it is necessary to invest four times as much to obtain an income of the same purchasing power as 20 years ago. Recognizing this, the new Labor Government there, in taking over the Bank of England, has been square enough to give private owners government bonds to the amount of four times the par value of their stock.					
* * *					
Here in the U. S. A., the Government is much concerned over the Drop in Private Savings since the war. The SEC estimates that liquid savings by individuals and unincorporated business (including cash, bank deposits, insurance, pension reserves, investments in securities and savings and loan associations, together with liquidation of mortgage and other consumer debt) increased approximately \$157 billion from mid-1940 to the end of 1945. The annual increase in savings reached a maximum of \$404					
MILITARY EXPENDITURE (†) \$b	Apr. 10	0.55	0.51	1.57	0.43
Cumulative from Mid-1940.....	Apr. 10	332.8	332.3	269.8	14.3
FEDERAL GROSS DEBT—\$b	Apr. 10	273.8	273.9	234.1	55.2
MONEY SUPPLY—\$b					
Demand Deposits—101 Cities.....	Apr. 10	37.3	36.6	38.0	24.3
Currency in Circulation.....	Apr. 10	28.0	27.9	25.9	10.7
BANK DEBITS—13-Week Ave.					
New York City—\$b.....	Apr. 10	7.43	7.49	6.47	3.92
100 Other Cities—\$b.....	Apr. 10	8.14	8.18	7.78	5.57
INCOME PAYMENTS—\$b (cd)					
Salaries & Wages (cd).....	Jan.	12.94	14.27	13.36	8.11
Interest & Dividends (cd).....	Jan.	8.13	8.52	9.52	5.56
Farm Marketing Income (ag).....	Jan.	1.12	2.06	0.94	0.55
Includ'g Govt. Payments (ag).....	Jan.	1.54	1.79	1.57	1.21
	Jan.	1.65	1.80	1.66	1.28
CIVILIAN EMPLOYMENT (cb) m					
Agricultural Employment (cb).....	Feb.	51.7	51.4	52.1	52.6
Employees, Manufacturing (lb).....	Feb.	7.0	6.8	7.3	8.9
Employees, Government (lb).....	Feb.	11.6	12.0	15.5	13.6
	Feb.	5.4	5.5	5.9	4.5
UNEMPLOYMENT (cb) m	Feb.	2.7	2.3	0.8	3.4
FACTORY EMPLOYMENT (lb4)					
Durable Goods	Feb.	118	123	162	147
Non-Durable Goods	Feb.	123	137	219	175
	Feb.	114	112	117	123
FACTORY PAYROLLS (lb)4	Jan.	217	215	335	198
FACTORY HOURS & WAGES (lb)					
Weekly Hours	Jan.	41.1	41.6	45.4	40.3
Hourly Wage (cents)	Jan.	100.4	99.6	104.6	78.1
Weekly Wage (\$).....	Jan.	41.27	41.40	47.50	31.79
PRICES—Wholesale (lb2)	Apr. 6	109.1	108.7	105.1	92.2
Retail (cdlb)	Jan.	143.0	143.1	139.7	116.1
COST OF LIVING (lb3)					
Food	Feb.	129.4	129.9	126.9	110.2
Clothing	Feb.	139.6	141.0	136.5	113.1
Rent	Feb.	149.9	149.5	143.3	113.8
	Feb.	108.3	108.3	108.3	107.8
RETAIL TRADE \$b					
Retail Store Sales (cd).....	Feb.	6.19	6.44	5.11	4.72
Durable Goods	Feb.	0.94	1.01	0.69	1.14
Non-Durable Goods	Feb.	5.25	5.43	4.42	3.58
Dep't Store Sales (mr)	Feb.	0.56	0.51	0.39	0.40
Retail Sales Credit, End Mo. (rb2)	Feb.	2.57	2.59	2.18	5.46
MANUFACTURERS'					
New Orders (cd2)—Total	Jan.	183	181	227	181
Durable Goods	Jan.	175	170	267	221
Non-Durable Goods	Jan.	188	188	202	157
Shipment (cd2)—Total	Jan.	185	195	261	183
Durable Goods	Jan.	170	196	354	220
Non-Durable Goods	Jan.	196	194	196	155
BUSINESS INVENTORIES, End Mo.					
Total (cd)—\$b	Jan.	27.1	26.7	26.5	26.7
Manufacturers'	Jan.	16.5	16.3	16.6	15.2
Wholesalers'	Jan.	4.2	4.3	4.0	4.6
Retailers'	Jan.	6.4	6.1	5.9	7.2
Dept. Store Stocks (rb)—	Jan.	156	141	148	139

Production and Transportation

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre- Pearl Harbor
BUSINESS ACTIVITY—I—pc					
(M. W. S.)—I—np.....	Apr. 6	154.3	155.6	159.4	141.8
	Apr. 6	167.7	169.2	171.3	146.5
INDUSTRIAL PROD. (rb)—I—np					
Mining.....	Feb.	154	160	236	174
Durable Goods, Mfr.....	Feb.	142	140	141	133
Non-Durable Goods, Mfr.....	Feb.	144	167	346	215
	Feb.	165	161	176	141
CARLOADINGS—I—Total					
Manufacturers & Miscellaneous.....	Apr. 6	645	809	766	833
Mdse. L. C. L.....	Apr. 6	368	373	389	379
Grain.....	Apr. 6	128	129	109	156
	Apr. 6	38	43	46	43
ELEC. POWER Output (Kw.H.)m					
	Apr. 6	3,988	3,992	4,322	3,267
SOFT COAL, Prod. (st) m					
Cumulative from Jan. 1.....	Apr. 6	0.9	13.3	7.7	10.8
Stocks, End Mo.....	Apr. 6	162	161	161	446
	Feb.	51.2	46.5	45.8	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily.....	Apr. 6	4.4	4.4	4.8	4.1
Gasoline Stocks.....	Apr. 6	104	105	97	87.8
Fuel Oil Stocks.....	Apr. 6	37	38	41	94.1
Heating Oil Stocks.....	Apr. 6	29	28	27	54.8
LUMBER, Prod. (bd. ft.) m					
Stocks, End Mo. (bd. ft.) b.....	Apr. 6	415	403	508	632
	Mar.	2.3	3.0	3.1	12.6
STEEL INGOT PROD. (st.) m					
Cumulative from Jan. 1.....	Mar.	6.53	1.39	7.71	6.96
	Mar.	4.8	5.26	21.6	74.69
ENGINEERING CONSTRUCTION AWARDS (en) \$m					
Cumulative from Jan. 1.....	Apr. 11	119	131	52	93.5
	Apr. 11	1,230	1,111	466	5,692
MISCELLANEOUS					
Paperboard, New Orders (st) t.....	Apr. 6	225	184	204	165
U. S. Newsprint Production (st) t.....	Mar.	65	60	64	83
Do., Imports from Canada.....	Mar.	264	254	214	283
Wood Pulp Stocks, End Mo. (st) t.....	Feb.	74.3	67.0	72.8	98.5
Cigarettes, Domestic Sales—b.....	Feb.	22.6	25.2	16.7	17.1
Cigars, Domestic Sales—m.....	Feb.	455	469	386	543

PRESENT POSITION AND OUTLOOK

billions in 1944; but only \$37 billion were added to these savings in 1945.

* * *

Low yield on investments is not solely responsible for the recent decline in the rate of savings. Of probably greater influence are the rise in living costs, the fast increasing availability of consumer goods and services, and a slowing down in the rate of expansion in the country's total **Supply of Money** (bank deposits plus currency in circulation).

* * *

The greatest annual increase in the nation's supply of money was around 28 billion in 1944. Last year (1945) the increase was only \$24 billion. The rate of expansion is naturally much slower now as Government deficit financing through the banks tapers off. Much of the increased rate of savings during the war was an unavoidable consequence of the swift increase in the total supply of money. Somebody had to own this money and, as corporations are loath to keep too much idle cash on hand, since it earns nothing, individuals and unincorporated business concerns were forced to save, like it or not.

* * *

Cash **Dividends** paid in the three months ended Feb. 28 amounted to \$1.25 billion, 1% ahead of the like period a year earlier.

ag—Agriculture Dep't. b—Billions. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't. Avge. Month 1939—100. edlb—Commerce Dep't. (1935-9—100), using Labor Bureau and other data. en—Engineering News-Record. l—Seasonably adjusted Index. 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. lt—Long tons. m—Millions. mpt—At Mills, Publishers and in Transit. mrb—Magazine of Wall Street, using Federal Reserve Board data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, installment and Charge accounts. st—Short tons. t—Thousands. tt—Treasury and Reconstruction Finance Corp.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

No. of Issues (1925 Close—100)	1946 Indexes				(Nov. 14, 1936, Cl.—100)	High	Low	Apr. 6	Apr. 13
300 COMBINED AVERAGE.....	186.2	164.5	182.5	181.6	100 HIGH PRICED STOCKS.....	108.12	97.62	107.87	108.12Y
4 Agricultural Implements.....	236.7	204.9	227.2	226.8	100 LOW PRICED STOCKS.....	247.97	202.59	233.96	231.50
11 Aircraft (1927 Cl.—100).....	284.4	247.4	259.6	252.2	6 Investment Trusts.....	82.3	70.0	79.3	82.3P
6 Air Lines (1934 Cl.—100).....	1208.6	1023.6	1112.4	1049.9	3 Liquor (1927 Cl.—100).....	1185.8	1000.2	1110.9	1092.6
5 Amusement.....	203.3	143.7	202.6	203.3Q	8 Machinery.....	206.4	181.6	202.0	201.1
15 Automobile Accessories.....	336.2	290.0	301.9	297.3	3 Mail Order.....	193.8	140.3	192.2	193.8R
11 Automobiles.....	62.2	54.2	57.7	57.3	3 Meat Packing.....	123.1	111.4	119.2	117.6
3 Baking (1926 Cl.—100).....	26.0	21.1	26.0H	24.3	13 Metals, Non-Ferrous.....	299.7	232.1	269.5	264.7
3 Business Machines.....	325.0	286.1	310.2	319.0	3 Paper.....	41.8	32.7	41.7	41.8P
2 Bus Lines (1926 Cl.—100).....	202.4	176.3	202.4Z	191.9	23 Petroleum.....	208.8	175.1	204.6	208.8Z
4 Chemicals.....	270.8	238.3	262.1	270.8R	20 Public Utilities.....	158.5	131.2	158.5P	155.3
2 Coal Mining.....	32.4	26.4	29.9	27.9	5 Radio (1927 Cl.—100).....	42.0	35.2	37.1	35.9
4 Communications.....	99.7	82.0	85.1	84.6	8 Railroad Equipment.....	110.6	94.8	100.8	99.3
13 Construction.....	79.6	67.9	77.7	78.7	22 Railroads.....	40.8	34.9	35.6	35.2
7 Containers.....	436.8	384.8	436.8Z	429.4	3 Realty.....	56.7	39.1	44.5	42.9
8 Copper & Brass.....	141.8	108.7	128.3	124.8	2 Shipbuilding.....	178.8	122.5	178.8Z	166.5
2 Dairy Products.....	79.6	64.6	77.9	79.6P	3 Soft Drinks.....	614.0	568.5	588.4	593.5
5 Department Stores.....	118.5	89.7	118.5Z	116.4	12 Steel & Iron.....	145.6	119.1	134.1	132.7
5 Drugs & Toilet Articles.....	262.8	194.8	260.0	262.8Z	3 Sugar.....	88.9	75.7	85.9	85.3
2 Finance Companies.....	308.3	268.9	308.3F	301.7	2 Sulphur.....	277.3	241.7	272.4	277.3R
7 Food Brands.....	227.8	205.5	227.8Z	226.5	3 Textiles.....	162.3	126.7	162.3Z	159.5
2 Food Stores.....	92.3	73.8	92.3Q	88.8	3 Tires & Rubber.....	51.9	42.5	51.9R	50.6
3 Furniture.....	118.3	105.2	117.5	118.3H	5 Tobacco.....	97.3	86.8	96.5	97.3H
3 Gold Mining.....	1346.1	1098.5	1142.3	1098.5a	2 Variety Stores.....	378.7	318.5	363.4	378.7Z
					18 Unclassified (1945 Cl.—100).....	113.6	98.2	109.8	110.3

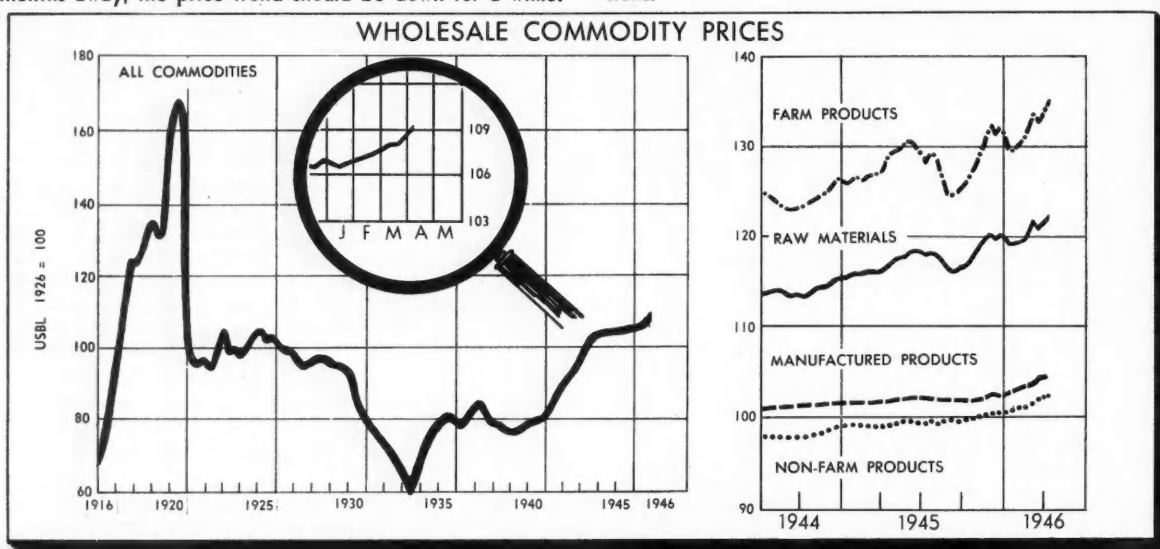
New HIGH since: F—1939; H—1937; P—1931; Q—1930; R—1929; Y—Nov. 14, 1936. Z—New all-time HIGH. a—New LOW since 1945.

Trend of Commodities

There is every indication that we have seen the high in commodity futures for the next four months at least. In the first week in April the Dow-Jones futures index reached a new all-time high. On April 12 it suffered the sharpest single day's decline in more than six months. Rye was off the limit of 5c a bushel, while cotton was down 97 points at one time or within three points of the maximum decline permitted in one trading session. The break came shortly after Representative Pace of Georgia had stated that he would not offer his bill to include farm wages in a parity formula as an amendment to the price control extension bill. He said that he did not want to attach his bill to a piece of legislation expiring in 1947. The sharp break in all futures was a measure of the degree that politics, rather than supply and demand factors, are determining prices. Since new crop grain movements are less than two months away, the price trend should be down for a while.

Spot prices are moving steadily upward with our daily index and that of the B.L.S. in new high ground. With the exception of chemicals and miscellaneous commodities all groups have joined in the advance. Farm products are in the lead at 135.2. The weekly index has crossed 109 (See magnifying glass which emphasizes rapid rise) and is on its way to the 1920 peak. Regardless of the action of futures prices in the next few months the all-commodity index will move steadily upward.

Some weeks ago the Administration decided to have a little inflation rather than a little deflation. It is not so happy with that decision. The economists are finding out that wage increases mean price increases. Strikes in industry are curtailing production so that living standards are going down, not up. The pressure of funds in the hands of the public means more extensive black market operations.

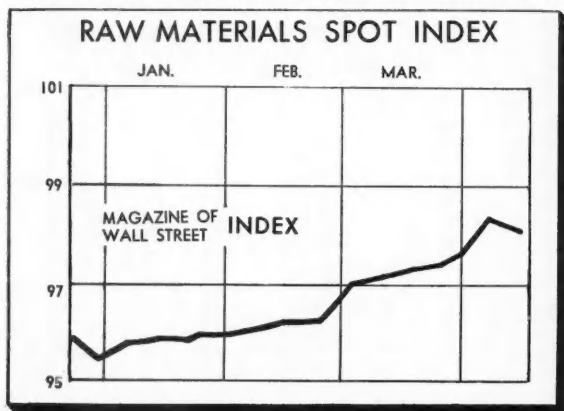


U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES

Spot Market Prices — August 1939, equal 100

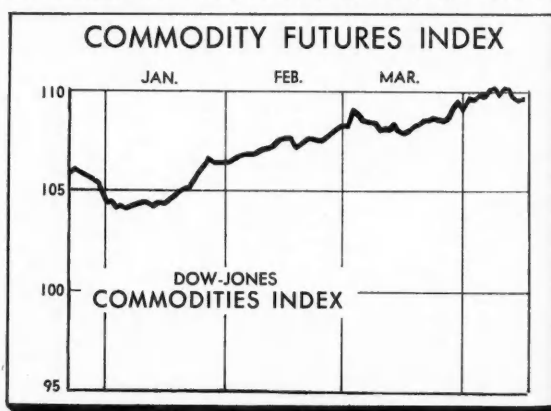
	Date 2 Wk.	1 Mo.	3 Mo.	6 Mo.	1 Yr.	Dec. 6
	Apr. 13	Apr. 13	Apr. 13	Apr. 13	Apr. 13	Apr. 13
28 Basic Commodities	190.0	190.2	189.6	187.1	185.7	183.8
11 Import Commodities	170.7	170.7	170.7	168.9	168.9	169.0
17 Domestic Commodities	203.7	204.0	202.9	200.3	197.4	194.0

	Date 2 Wk.	1 Mo.	3 Mo.	6 Mo.	1 Yr.	Dec. 6
	Apr. 13	Apr. 13	Apr. 13	Apr. 13	Apr. 13	Apr. 13
7 Domestic Agricultural.....	238.8	239.5	238.1	234.1	229.7	227.1
12 Foodstuffs	216.3	216.6	216.4	213.4	210.3	209.3
16 Raw Industrials	172.3	172.3	171.5	169.7	168.9	166.5



14 Raw Materials, 1923-5 Average equals 100

	Aug. 26, 1939—63.0	Dec. 6, 1941—85.0					
	1946	1945	1944	1943	1941	1939	1937
High	98.4	95.8	84.5	92.9	85.7	78.3	65.8
Low	95.5	93.6	91.8	89.3	74.3	61.6	57.5



Average 1924-26 equals 100

	1946	1945	1944	1943	1941	1939	1938	1937
High	110.36	106.41	98.13	96.57	84.60	64.67	54.95	82.44
Low	104.21	93.90	92.44	88.45	55.45	46.59	45.03	52.03

COMMODITY HIGHLIGHTS

RYE . . . Rye held the spotlight during the past two weeks with the May contract selling at \$2.47½ a bushel, a new all-time high. When the premium on cash is added, the price was more than a \$1.00 a bushel above the ceiling which goes into effect on June 1. The April 1 report of the Department of Agriculture revealed that rye stocks on the farm totaled slightly more than 3 million bushels. This was half the total of a year ago and only 20 per cent of the 10-year average. Since the open interest in the May contract was greater than the available stocks, it was easy for the longs to squeeze the shorts.

The market was lower in the second half of the period under a new development. The Department of Agriculture limited distillers' grain stocks to a 7½-day supply. Those with more than that could use no grain or grain products in the manufacture of beverage alcohol or distilled spirits. The order became effective on April 15 and the distillers had to report their position by April 22. This should result in the liquidation of some cash rye before the June 1 deadline.

COCOA . . . Imports of cocoa beans in March were about double what they were a year ago and stocks at the end of the period were equal to a four months' supply. In addition, fairly large quantities are afloat from Africa and Brazil, which indicates that stocks will be built up further in April.

The outlook for the balance of the year is not as favorable. European buyers are competing in the market now and paying prices which importers here cannot meet under existing price controls. The new African crop will not be available until the last quarter of the year and, unless ceilings are raised in the meantime, we will not get our share of world supplies.

SUGAR . . . Allotments of sugar were increased 10% for the second quarter of the year, as we predicted some time ago. It appeared likely that there would be an additional 10% increase in the third quarter of the year, but recent events make this questionable.

Most important is the Government's export program. No exact figures are available, but it will probably be substantial.

The immediate problem is one of refining. The Government pulled out of service 22 ships from the Cuban sugar run and returned them in ballast. Some cargoes arriving at Philadelphia have been unable to dock because of the tugboat strike. It will take some time to make up the time lost.

COPRA . . . Many import items which have been absent since before the war are now coming back. Last month the steamship Katherine L. Bates arrived at Portland, Oregon, with the first full cargo of copra to enter that port in approximately four years. The shipment consisted of 4,900 short tons of bulk copra and came from Saipan. Saipan is somewhat north of the usual copra collection centers, but disruption of pre war transportation in the Philippine Islands has made Saipan an important assembly point for the time being.

The head of the U. S. Commercial Co. states that the Philippine copra industry is making rapid strides toward rehabilitation and he predicted that exports in the second half of the year would be above the prewar average, which means real progress. According to the Export Management Co., actual exports from the Philippines to the U. S. in the first three months were:

January	8,342 long tons
February	11,788 " "
March	13,332 " "

Copra is especially important at this time. It supplies us with coconut oil and copra meal. Before the war we consumed around 500 million pounds of coconut oil annually. This was about 10 per cent of our consumption of all fats and oils. The primary use of coconut oil was for soap making. Its second most important use was in oleomargarine.

Unfortunately the new arrivals will not all be used for domestic consumption. The Department of Agriculture is buying supplies of coconut oil on the West coast for delivery to UNRRA. They are reported to have bought between 10,000 and 10,000 long tons of oil at the ceiling price, which was the allotment, and will probably be given additional allotments shortly.

Meanwhile Congress is looking into the picture. Under the terms of a new congressional bill, the Philippine Islands will be permitted to ship 200,000 tons of coconut oil to the United States free of duty until 1955 and thereafter the amount exempt from ordinary customs duty will be reduced 10,000 tons annually until 1974. After that date all limitations will be lifted.

SCHENLEY DISTILLERS CORPORATION

NOTE—From time to time, in this space, there will appear an advertisement which we hope will be of interest to our fellow Americans. This is number 119 of a series.

SCHENLEY DISTILLERS CORP.

Talking Figures

By MARK MERIT

Figures are "talking-up" in this piece—and not in a whisper. The reason? We hear frequently that the present-day consumption of distilled spirits, whiskey, gin, etc., "is enormous" so let's give the figures a chance.

There are three factors which should be considered.

1. Per capita consumption
2. Average national income
3. Population

In the years 1900 to 1917, the average per capita consumption of distilled spirits was 1.59 wine gallons (a wine gallon consists of 128 ounces). The average national income during these years was \$33.9 billion. The average population of the United States during this period was 93 millions.

The figures for 1918 and 1919 have been omitted because they are not representative. A number of states had adopted prohibition before the eighteenth amendment was finally adopted in 1920. There is no way of estimating the amount of illegal whiskey consumed in the United States during the years 1918 and 1919.

Now, let's take the years following repeal. From 1934 to 1944, the average consumption per capita was 1.02 wine gallons. In 1945 the estimated consumption was 1.40 wine gallons.

Since repeal, our population has grown from 126 millions in 1934 to about 140 millions in 1945. This is an increase of approximately 10%. During that same period, our national income increased from \$49.4 billion in 1934 to an estimated \$160 billion in 1945, or an increase of almost 300%.

The obvious conclusion then, is this. The per capita consumption of distilled spirits is less than it was during the ten years prior to prohibition, despite the tremendous increase in our national income. America today is not spending as large a percentage of its national income for distilled spirits as it did in the pre-prohibition period, frequently referred to as "the good old days."

FREE—Send a postcard to MARK MERIT OF SCHENLEY DISTILLERS CORP., Dept. 15-A, 350 Fifth Avenue, N. Y. 1, N. Y., and you will receive a booklet containing reprints of earlier articles on various subjects in this series.

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

125,000 Shares

Fruehauf Trailer Company

4% Preferred Stock, Cumulative
(Par value \$100 per share)

Price \$104.50 per Share
(plus accrued dividends from March 1, 1946 to date of delivery)

Copies of the Prospectus may be obtained in any State from such of the several Underwriters, including the undersigned, as may lawfully offer the securities in such State.

LEHMAN BROTHERS WATLING, LERCHEN & CO.

April 11, 1946.

Building an Estate with Common Stocks

(Continued from page 99)

If the program is to be a continuous one, involving the periodic addition of capital sums, it can be started at any time. But the fact that common stock prices are now at the peak of a four-year rise places a considerable premium upon the choice of issues. For this reason, the new investor starting to create a sound estate should seek competent advice—not the gratuitous advice of well-meaning friends but that of a good banker, stock exchange firm or professional investment counsel.

G.I. Home Loan Privileges

(Continued from page 97)

excessive in relationship to the home purchaser's income. Generally it is stipulated that one

week's salary be equal to or exceed the monthly home loan payment. The latter includes allowances for 1/12th of the annual real estate taxes and fire insurance premium. A further precaution to be considered by the Veteran is the consideration of his "take-home-pay" as the basis for his capacity to carry a home loan. The lending institution may only consider the gross weekly salary while today's high income tax deductions, social security, pension plans and other deductible items may cause the net or "take-home-pay" to be substantially less than the gross income. It's best for the Veteran to proceed on a cold "cash and carry" basis . . . particularly while the cost of living is so high. The Government calls all of this a "proper relationship between your monthly payment and your present and anticipated income and expenses." Therefore, the former soldier is not encouraged to incur a debt which could prove burdensome. The principal purpose of the GI Home Loan is to enable the Veteran to make a

home purchase in proportion with his economic status. The GI loan will continue as the main theme of these discussions until the principal aspects have been covered for the benefit of our Veteran readers.

Opportunities For Income

(Continued from page 95)

CITIES SERVICE CO.: This company has voted to call for payment \$35,000,000 of the convertible debenture 5s of 1950 and same will be redeemed at 102 and interest on June 1, 1946. There are \$75,578,100 of the convertible 5s of 1950 outstanding and the partial redemption will sharply pare down the senior securities and reduce interest charges by \$1,750,000 annually before taxes and simplify considerably the problem of providing for the balance of the issue at or prior to its maturity four years hence. Funds for the partial redemption of the debentures are being provided from cash resources currently on hand and by repayment of a portion of advances to subsidiary companies.

Planned Modernization

(Continued from page 72)

ers as well. Basic support of every period of general prosperity has always been unusual activity on the part of the capital goods industry, and for a good many years to come it looks as if these suppliers would be kept exceedingly busy. Chief competition for them will come from Great Britain and to a less extent from Sweden and Switzerland, now that Germany is out of the picture. But when the Anglo-American Loan has been confirmed and the Bretton Woods agreement comes strongly into play, world trade in American-made machinery will tend to prolong the promising boom period in the offing. Last but not least, by modernization of our own industry, a flood of better, and probably lower priced, goods of all kinds will raise standards of living not only here at home but throughout the entire world.

PACIFIC GAS AND ELECTRIC COMPANY

SAN FRANCISCO, CALIFORNIA

Review of 1945 Annual Report

The Year 1945 marked for this Company, as for American industry in general, the successful completion of one important task and the beginning of another. During the war, all demands for essential electric and gas service in its field of operations were met promptly and fully. Now that peace has come again, the Company is devoting its efforts and resources to promoting and providing for the continued development of Northern and Central California.

Following the end of hostilities there was some recession in our industrial load, but sales to domestic and commercial customers continued to increase. The decline in revenues from war industries was more than offset by increases in other classes of service carrying higher average rates, and total revenues each month exceeded those of the corresponding months of 1944.

Sales of electricity for the year totaled 7½ billion kilowatt-hours, within 1% of the 1944 record. Gas sales reached a new peak of approximately 136 billion cubic feet, more than 8% above the preceding year. There were uninterrupted monthly gains in the number of customers served.

In 1946 the Company will benefit substantially from lower Federal taxes on income, and from reduced interest charges due to recent bond refunding operations. These annual savings, while partially offset by higher operating costs, are sufficient to enable the resumption of rate reductions, temporarily halted by the war. Throughout our history, such reductions have been made whenever possible. Accordingly, rates for gas and electric service, already among the lowest in the country, were further reduced early in 1946.

The downward trend of the Company's rates is in sharp contrast with increasing living costs. Under our new rates a typical residential customer in San Francisco will pay 16.8% less for 100 kilowatt-hours of electricity and 38.4% less for 40.6 therms of natural gas than the average prices for these consumptions in the period 1935-1939. Meanwhile, adjustments in wages to employees have kept pace with increased living costs.

Few corporations in the country enjoy a wider distribution of stock ownership. At the close of the year stockholders numbered 133,642, a gain of 12,567 within the year. Approximately 82,000, or almost two-thirds of the total, reside in California. About 114,000, or 85.6% of all stockholders, own lots of from one to one hundred shares each, indicating wide distribution among small investors.

CUSTOMERS RECEIVING SERVICE

Electric customers	1,072,324
Gas customers	783,989
Water customers	13,817
Steam customers	743
Total	1,870,873

DISTRIBUTION OF STOCK OWNERSHIP

Women	57,672
Men	39,931
Joint Tenants	26,294
Trust Estates	6,228
Corporations, Partnerships, etc.	2,412
Religious Institutions	344
Insurance Companies	243
Educational Institutions	234
Banks, Investment Companies, etc.	196
Charitable Institutions	88
Total	133,642

SUMMARY OF CONSOLIDATED EARNINGS STATEMENT

	Year Ended December 31 1945	1944
Gross Operating Revenues	\$160,269,447	\$151,773,236
Maintenance and Operating Expenses (except Federal taxes on income) and Provisions for Depreciation and Other Reserves	93,260,086	87,441,842
Provision for Federal Taxes on Income	*33,847,495	*30,149,179
Total Operating Revenue Deductions	127,107,581	117,591,021
Net Operating Revenues	33,161,866	34,182,215
Miscellaneous Income	319,083	318,056
Gross Income	33,480,949	34,500,271
Bond and Other Interest, Discount and Other Income Deductions	11,528,935	12,462,932
Net Income to Surplus	21,952,014	22,037,339
Dividends on Preferred Stock	8,427,353	8,409,851
Balance	13,524,661	13,627,488
Dividends on Common Stock	12,523,898	12,523,898
Balance	\$ 1,000,763	\$ 1,103,590
Earnings Per Share of Common Stock	\$2.16	\$2.18
Dividends Paid Per Share Common Stock	\$2.00	\$2.00

*Stated on the basis of current operations, without giving effect to non-recurring tax reductions such as those resulting from bond refunding operations.

Looking Ahead

California, long one of the fastest growing states in the nation, now ranks third in population. The war served to accelerate an already significant westward movement of population and industry. It is apparent that the industrial, agricultural and commercial development of this area will continue greatly above pre-war levels.

We are of the opinion that under normal conditions stability can best be achieved by striving for expanding markets and increased production, with unit selling prices at the lowest levels consistent with the maintenance of satisfactory service, fair wages, financial soundness and a reasonable return to investors. To this end, we look forward with confidence to the continued progress of our business, with increasing opportunities for rendering a high standard of service at low cost to the public.


PRESIDENT

COPIES OF THE COMPANY'S 1945 ANNUAL REPORT MAY BE SECURED ON APPLICATION TO E. J. BECKETT, TREASURER, 245 MARKET STREET, SAN FRANCISCO 6, CALIFORNIA

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

Not a New Issue

211,000 Shares

American Airlines, Inc.

Common Stock
(Par Value \$5 Per Share)

Price \$90 per Share

Copies of the Prospectus may be obtained in any State from such of the several Underwriters, including the undersigned, as may lawfully offer the securities in such State.

EMANUEL, DEETJEN & CO. LEHMAN BROTHERS

April 11, 1946.

Relative Oil Strength of Major Powers

(Continued from page 86)

the policies outlined in the above agreement, serious doubts exist as to whether Russia will fall in line, because her oil resources are so large that in time she could dispense with reliance upon imports to meet her expanding needs. While Russia's proven reserves, as previously pointed out, are only about 11% of the world's total, she now dominates the output of the five major oil-producing countries in Eastern Europe. Judging from more recent events, she may also gain additional production from her latest venture in Northern Iran, although in some quarters it is believed that military rather than economic motives led her to win a foothold in this adjacent country. Fact is that the potential oil supply within Russia's own borders in reality is tremendous, the secretly known reserves possibly amounting to 22.5 billion barrels or 10% more than

those in the United States at the present time. Additionally, along Russia's 4500 mile Arctic coast line, it is reported that oil seepage denotes the presence of an enormous untapped pool. Certain, it is that in the longer range term, exports of oil products by Russia will intensify international competition for world markets and give the British and Americans food for serious thought.

Of more immediate concern to the international scene is the undoubted emergence of both Russia and the Middle-East producers as main suppliers of all oil items to the European nations. As England's lifeline till now has been considered the Suez Canal, the trend presently is towards her oil outlets in the Mediterranean, for from these her entire fleet is fueled and her major industrial requirements met. American firms, of course, are preparing to lessen their exports from the United States in competing for foreign markets, and in the process will rapidly expand production from their promising Middle-East fields. Grave doubts exist that

Russia will permit continued competition from American concerns in Roumania and other countries over-run by her in Europe, although late reports suggest that she may permit restricted operations or pay something for the facilities she has seized. All said, Russia is the big enigma in the world oil picture and her future course will bear careful watching.

From "Soup to Nuts"

(Continued from page 81)

Those who clearly remembered the struggles of the 1930s thought that a repetition of such unfavorable conditions would present a serious threat to integrated organizations. Ten or twelve years ago converters were able to buy gray goods from mills operating unprofitably and then were able to have their fabrics processed by finishers who also were operating at a loss in order to keep organizations in tact. Any return to such keen competition would impose double burdens on vertical integrated mill organizations necessitating absorption of losses at two stages of production. These are the potential threats to expanded textile manufacturers.

This recent development in a typically volatile industry presents new factors that need careful appraisal by investors interested in mill stocks. Whether they realize it or not, stockholders are gambling their equity in new ventures and untried fields from which later returns will be disappointing — if not dangerously costly.

It would be rash, of course, to forecast disaster for large textile combines merely because integration had proved of questionable merit in other industries and because prices paid for properties may have been excessive. The test which looms ahead will involve intangible management factors which promise to have considerable bearing on eventual results. Skills in styling, for example, and merchandising ability are important determinants of volume in textiles. Alert man-

agements which are able to maintain these activities on a high plane should be better equipped to survive as conditions gradually return to normal.

United Fruit —An Investment Audit

(Continued from page 93)

bility of the culture, it looks as if it would be turned over to the natives hereafter, because Washington does not favor too much competition with the Philippines.

Strategy of United Fruit in establishing and retaining political friendship in the numerous countries wherein it has become entrenched involves a basic policy to improve living standards of the respective populaces. While the company broadly benefits from the low wage scales prevailing in all Latin-American countries, it makes a point of paying its employees much more than average rates, builds school houses for them and homes with many up-to-date conveniences.

Such policies seem likely to pay off in the long run, and when political opponents start to raise serious trouble the company has a strong card up its sleeve in threatening to abandon an unfriendly country to concentrate in any of the other dozen at its command.

Despite substantial outlays in 1945 for new ships and improved facilities, working capital at the year end of \$37.7 million declined only slightly compared with the previous year, and against the relative showing in 1941, a net gain of \$17 million is apparent. Net current assets of \$71.6 million amply cover total net current liabilities of \$16.1 million, the current ratio of 2.1 exactly equalling that of 1941. Indeed, holdings of cash and Government securities alone exceed current liabilities by some \$21 million. More closely scanned, the 1945 statement shows the company to be entirely free of bank debt and there are no funded debts or preferred stock issues ahead of the common. In noting the consistent advance in the book value of the



Transportation pioneer

The two dominating spheres of achievement of George Westinghouse were *transportation* and *alternating current*.

His first major contribution to transportation was the famous Westinghouse air brake — followed, a few years later, by his development of automatic block-signaling systems for railroads.

Later, this great inventor-engineer pioneered a single-reduction-gear direct current motor which caused sweeping changes in the operation of street railways.

But a unique achievement in the life of George Westinghouse came in 1905 — when he brought *transportation* and *alternating current* together in a single masterful triumph of engineering.

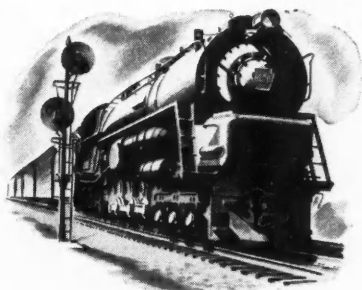
For, on May 16, 1905, he successfully demonstrated the first *single-phase main-line* electric locomotive before the delegates to the International Railway Congress, at his plant in East Pittsburgh, Pennsylvania.

Shortly afterwards, in 1907, Westinghouse electrified the first *main-line railroad* . . . the New York, New Haven & Hartford, between Woodlawn, New York, and Stamford, Connecticut.

This spectacular accomplishment heralded the major electrification of railroads the world over.

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10 Stocks Which Offer Substantial Profits

We Will Tell You When to Buy and When to Sell

—5 For Short Term Profit

- 1 Price now 22. New company with fine potentials from reorganization outgrowth. Comparatively simple capital structure. Controls many seasoned companies. Earnings over \$2 per share and in uptrend. Good possibility of dividends soon. Actively traded with good market.
- 2 Price now 14. Second preferred stock. Yield 3.6%. Attractive for high percentage gains due to liquidating and redemption price of \$32 per share, as 25% of net income above preferred dividend requirements must be set aside in a sinking fund provided therefore.
- 3 Price now 14 $\frac{3}{8}$. Company international in scope. Strong financial position. Cash assets alone over twice current liabilities. Improving earnings. Controlling common stock held by well-known parent company. Long term merger possibilities and expansion ahead.
- 4 Price now 16 $\frac{7}{8}$. Has over 50 major sales departments. Assets over liabilities better than 4 to 1. Highly liquid with good-will carried at \$1. Earned \$1.16 last year plus excess profits tax of \$2.70 per share. Should enjoy large volume with \$3 per share and initial dividend likely this year.
- 5 Price now 28. Book value \$39.27 per share. Large and essential international enterprise with expanding manufacturing operations in this country. Strong financial position. Stock has sold at 149. At current level, it represents interesting capital building situation.

—5 For Longer Term Profit

- 6 Price now 27 $\frac{3}{4}$. Country's largest producer of its products. Dividends paid since 1912 . . . over 33 years. Bright 1946 outlook and strong cash position with reduced taxes presage earnings in line with pre-war average 43% above wartime. Present yield 4.3%.
- 7 Price now 11 $\frac{3}{8}$. Has paid dividends continuously since incorporation in 1926 . . . over 19 years. Yield 4.2% Credit exceptionally good. Serves growing market in New York State. Earnings should now approximate pre-war years. In 1936, stock sold at 19 $\frac{3}{4}$.
- 8 Price 10 $\frac{1}{8}$. Book value \$21.04 with liquidating value estimated around \$13 a share . . . to be enhanced moderately by improved position of operating subsidiaries. Popular issue in today's markets. Recommended as a low-priced situation for capital building.
- 9 Price now 44 $\frac{3}{4}$. Recently split-up stock. Fine financial strength with cash alone exceeding current liabilities. Large reserves for postwar contingencies. Company boasts of stable earnings and consistent dividends. At its new price, it is most attractive for appreciation.
- 10 Price now 27 $\frac{1}{2}$. Sound company which has paid dividends since 1909 . . . over 36 years. Strong financial position bulwarks present dividend. Tax rate reduction and interest savings due to recent refinancing augurs well for 1946 earnings. Present yield 4.5%.

Not a special report but the type of service you will receive regularly with all recommendations kept under our continuous supervision.

Put our corps of analysts to work for you . . . let them select profitable situations, analyze conditions, weigh the possibilities and—once a recommendation is made—study daily the action of the security until the time comes to close it out.

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common stock to \$67.13 in 1945 from a level of \$56.92 in 1940, weight must be given to the company's long sustained policies in building up reserves for depreciation and revaluation. Throughout past years these total reserves covering all classes of assets have soared to \$145.5 million, equal to about 58% of the original figure at which the assets were carried on the books. Although book value is a minor factor in stock appraisals the figures reveal highly conservative auditing practices. All in all, the current financial status of United is exceptionally strong and warrant predictions that no additional steps will become necessary to provide funds for the substantial expansion planned in the current year.

Earningswise, United Fruit has always proved its ability to make a satisfactory showing, though slightly varying in lean times, ever since the company started business in 1899. Better yet, perhaps, distributions to shareholders have been liberal and uninterrupted during this entire period. Average net for ten years past has been \$4.70 and the average dividend rate \$3.65 per share.

In noting that 1945 earnings of \$6.46 per share marked a high point during a ten-year period, it must again be remembered that the banana business, mainstay of the company, played almost no part in achieving this record. Nor will gratifying earnings from chartered ships continue to swell revenues for United indefinitely. From now on it will be necessary to weigh earnings potentials closely on a transitional scale as business resumes on a more normal basis. Just how this will work out in 1946 will depend upon the speed with which the company's ships are returned or the new ones delivered. Tax relief in 1946 will widen profit margins to some extent but the trend of wages is upward. On the other hand, the Government has contracted to buy the entire available sugar output of Cuba at 3.65 cents per pound compared with 3.10 cents paid in 1944. But the OPA price ceiling on bananas

→ 18 ←

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A New Study You Can Cash-In On

During the past few weeks our Analytical and Statistical Advisory staffs have uncovered a group of 18 Favored Profit Makers.

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still stands unchanged at 4.5 cents per pound.

Broadly viewed, a bright future appears ahead for United Fruit when its new and modernized facilities come into play to permit larger sales and probably larger earnings as well. But it would seem as if a year or more must elapse before these potentials can become realistic. As average earnings for the past ten years in relation to the recent price of 152 for the shares would amount to only 3.1%, and on a basis of the record showing in 1946 would equal only 4.2% speculative enthusiasm sparked by the coming 3 for 1 split-up appears to have liberally discounted potentials in near-term coming years. The investment fundamentals of the stock, however, are excellent, if holders are content with the current 2.6% yield and patient enough to wait for a possible improvement later on.

Economic Repercussions of The Peron Election

(Continued from page 83)

result of deficit financing.

Deficit financing of the proportions undertaken by the Military Governments has already created

a number of problems in respect to the placing of the bonds. Various pension funds and a number of autonomous government agencies such as State Railways, have been persuaded to buy them. The unexpected nationalization of the Central Bank on March 25 is apparently also connected in one way or other with deficit financing, for the Government will now be in a position to raise the limit of the Central Bank's holdings of government securities simply by decree. The nationalization was accomplished by the seizure of the shares hitherto held by private banks; the representatives of foreign banks on the board will be replaced by Argentine citizens.

The growth of inflationary danger in Argentina has been reflected in the rise of prices and the cost of living. Retail prices, which as late as August 1944 were less than 20 per cent above the 1939 level, were more than 50 per cent higher in December 1945. The actual rise was apparently much greater, because the retail price index, on account of its construction, is not fully representative. The wages and costs have also been going up steadily since the early part of 1944; up to that time Argentina was one of the Latin American countries least affected by inflation.

12 STOCKS

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Whatever is in store for Argentina under the nationalist rule, the Argentine-American relations during the next few years will be best served by minimizing the political and economic friction. There are indications on both sides that a more positive policy is being adopted. This country has recently appointed a new Ambassador to Buenos Aires. Argentina has been placed on the "K" list which means that our exporters are now free to ship the commodities which are not short in supply without obtaining a license to do so. The Argentine Government was also officially invited to participate in the inter-American security system of mutual assistance pacts, provided the new government takes positive action to implement the commitments embodied in the Act of Chapultepec, i.e. that it will eliminate all Axis influence within its borders. This would involve the dissolution of German cultural organizations and the liquidation of German firms in Argentina. The nationalists and militarists may be quite willing to do this; after all their affiliation with the Axis was based on opportunism rather than in any particular love for the Germans or the Italians. Although not a member of UNRRA, Argentina promised that it would make all

its food surpluses available for the famine endangered countries of Europe.

The point is that neither the United States nor Argentina can quite ignore each other's existence. The Argentine food surpluses are as essential to us as to the rest of the world in preventing the calamity of famine which could have far reaching political consequences. On the other hand, Argentina is in bad need of our industrial equipment, with which she can increase production of goods and avert further inflation.

As I See It!

(Continued from page 65)

for it was Japan who enabled Russia to turn the tide at Stalingrad by agreeing not to attack Asiatic Russia, enabling Stalin to move Siberian troops to bolster his crumbling defenses in the west.

The phenomenon of this war was the adherence of Russia and Japan despite their conflicting alignments. This Russo-Japanese agreement was said to include a division of China between them and at the time of Japan's attack on the United States, it was reported to have been influenced by Russian endeavor to turn Japan toward the west when Hitler was appealing to the Japanese to attack Russia. Although Germany was offering Japan generous participation of the spoils in the Pacific, Russia was calling Japan's attention to the legal claim that victorious Germany was likely to make for the possessions of the European countries overrun by Hitler and encouraged Japan to conquer this territory on her own account and entrench herself so firmly that she could not be removed without a titanic struggle which Germany would be unlikely to undertake after a devastating war.

On such a background it is not difficult to understand why Russia seeks to upset and disorganize General MacArthur's control machinery in Japan and why we are standing firm. To do anything else as far as Russia is con-

cerned, is to invite chaos.

It is clear that democracy is at the crossroads and to appease Russia in any way whatever is to destroy the possibility of world peace, maybe for generations to come.

Re-casting Status of Utility Holding Companies

(Continued from page 75)

modest appreciation possibilities compared with the present price level, but there is no potential "leverage."

NIAGARA HUDSON POWER has done a great deal of spade-work in the past two years toward completing an integration program and improving the position of its common stock. The company was plagued for some time by a quarrel between holders of Buffalo, Niagara & Hudson \$1.60 second preferred stock and its own common stockholders. The fight revolved around the formula to be used in apportioning the assets of that important sub-holding company, which controls about half the Niagara system. However, as the utility market improved, it became possible to pay off the second preferred at the call price and dividend arrears.

The sub-holding company, now merged with subsidiaries into an operating company, Buffalo, Niagara & Electric, has now become a very valuable equity. However, Niagara had to incur a \$40,000,000 bank loan and may have to sell part or all of the B.N.&E. stock to clear this off, particularly if the SEC or the Public Service Commission require the sub-holding company to be divorced. If such sale proves necessary, surplus funds would doubtless be used to retire Niagara's preferred stocks. Distribution of Central New York Power & Light to common stockholders would then permit Niagara to dissolve. Estimates of future potential liquidating value range around \$15 and upwards.

NORTH AMERICAN COMPANY has recently filed a new plan with the SEC. It is pro-

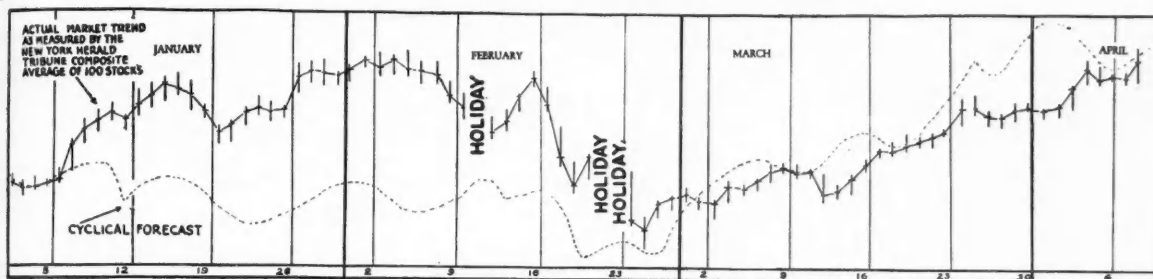
MEASURABLE WAVES OF MASS OPTIMISM AND PESSIMISM AND THEIR EFFECT ON SECURITY PRICES

(A brand new key to profits in this bull market)

What has since been described as "one of the most amazing forecasts ever issued" was published by us in December, 1945. An integral part of this forecast was an *actual chart* which attempted to picture, in advance, the trend of stock prices for the entire year 1946.

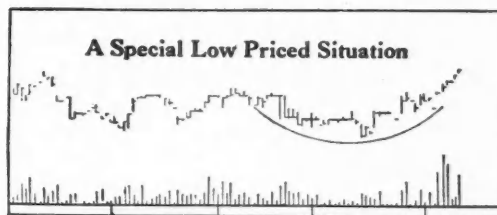
This long term forecast was no brash gamble, nor was it based in any measure on mere guesswork. It represented the culmination of years of pioneer effort in the analysis of coming waves of mass optimism and mass pessimism. The final chart for 1946 was the end result of several months of laborious computations of the likely effect of these measurable waves.

TO LEARN HOW TO CATCH THE SWINGS WHICH DETERMINE BULL MARKET PROFITS, STUDY THIS CHART CLOSELY



We can readily understand the reluctance of the average investor to accept the premise that the trend of the market can be forecast accurately so far in advance. Yet thousands of hard-boiled investors, including Wall Street professionals, have started out with a "show me" attitude only to become ardent boosters of the STOCK TREND SERVICE. Again and again, we have selected and announced specific "Key Dates" for market swings long in advance and have seen these predictions fulfilled almost to the day. For example: All through the early months of last year the STOCK TREND SERVICE advertised April 16th as a "Cyclical Key Date" that would mark the inception of a dynamic phase of the bull market. It is a fact that we literally blanketed the country with the advance notice of this April 16th Key Date. **ON APRIL 16, 1946, THE AVERAGES REACHED AN 8-YEAR HIGH.** Our files are replete with equally dramatic forecasts.

Above we reproduce the first four months of our 1946 forecast, on which we have superimposed the actual trend of the market as measured by the New York Herald Tribune's broad composite average of 100 stocks. Note particularly how faithfully the variations in the forecast dotted line parallel the Herald Tribune average throughout the period. Note also how accurately the long-range forecast caught the late January rise and the sharp mid-February slump. The forecast specifically pointed to a market bottom between February 21st and 25th! Note also the identical nature of the predicted rise from late February and the actual market trend. Incidentally, our confidence in the accuracy of our wave studies made it possible for us to publicly take issue with the rampant pessimism of those days with our challenging and now famous "BEARS BEWARE!" advertisement.



BULLISH SIGNAL ON THIS LOW-PRICED ISSUE

Although it is becoming increasingly difficult to find low-priced issues which have not already gone a long way in this four-year bull market in discounting favorable fundamentals well ahead, our staff recently uncovered an equity—selling under \$15—which has an exceedingly strong stake in an industry well favored by large trusts and investors generally. In fact, this company has shown a profit each year **without a single interruption since 1929** and dividends have been paid with only two omissions in 17 years.

As will be seen from the chart above, this equity recently gave a bullish signal by emerging out of a trading range of some four months' duration with volume expanding on the breakthrough. In other words this appears to be an **above-average low-priced opportunity** which, if purchased in accordance with our current advices, should result in substantial capital increment.

AND NOW — NEW KEY DATES IMPEND

The market now is at an important crossroads with fundamental and technical considerations at variance. Many investors are waiting for two major developments such as (1) a bullish Dow Theory confirmation, or (2) a return to the February lows or worse. The average investor is confused in the maze of conflicting opinions of financial advisers, uncertain international relations, strikes and price controls. **Yet at just such times as these Cycles become most useful by showing, as so many times they have in the past, what the probable course of stock prices will be.**

Thus we again publicly announce that the next six to eight weeks will be one of the most important market periods in 1946—with exceedingly significant Key Dates effective now and in May especially. Readers planning near-term or longer-term positions in stocks should not be without our April and May Cyclical Projections of the probable trend as offered herein. Months from now you may be writing to us as did W. S. S. on February 29, 1946—"In closing I want to tell you how pleased and amazed I have been in your prognostication of the general trend . . ."

OBTAIN THIS TRIAL SUBSCRIPTION NOW!

To seriously-minded new readers only who have not previously availed themselves of a trial subscription to our twice-weekly Bulletin Service, we extend the following offer:

- (1) Cyclical Forecast for April and May, showing important reversal periods.
- (2) Latest issue of our Short Interest Barometer (a technical device which also proved its accuracy in forecasting the 22-point rise which occurred since the February lows).
- (3) Chart and analyses of the low-priced Special Situation referred to above.
- (4) Bulletins of April 30, May 3, 7, 10 and 14. ALL FOR ONLY

All the above, with Stock Trend Bulletins for 6 months, plus 1946 Cycle Forecast for corresponding 6 months. **\$2** ☐
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—Lt. Comdr. C. W. R.

"I am very much impressed by the lucid presentation of facts in your service . . ."

—Dr. N. H. M.

"I have been favorably impressed with your service and therefore you will find herewith my check in the amount of \$57.60 to cover six-months' service via Air Mail."

—F. G. P.

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BOOK REVIEWS

STAR OF THE UNBORN

By Franz Werfel
Viking Press 645 pp. \$3.00

This is the last book written by the distinguished author of "The Song of Bernadette" and "Forty Days of Musa Ghah". It is a flight of the imagination into a world 100,000 years ahead of ours, a world which achieved every material hope and desire of mankind. The author's intention is to show that without true religious faith such a society is little better in essentials than our own. In the process of presenting his moral the author indulges in much speculation concerning God and faith, time and the universe. Mr. Werfel considers this his greatest achievement.

THE O.S.S. AND AMERICAN ESPIONAGE SUB ROSA

By Stewart Alsop and Thomas Braden
Reynal & Hitchcock 237 pp. \$2.50

The public is slowly becoming acquainted with the initials O.S.S. and of that mysterious, thrilling and often single handed warfare against the Axis when it carried on. This volume, written by two former members of the Office of Strategic Services tells how the organization came into being and narrates some of its hair-raising exploits. The book contains a mine of adventure stores which Hollywood certainly will borrow, and which ill give the reader several evenings of heart-pounding entertainment.

NEW CAREERS IN INDUSTRY

By John W. Amis and Esther Sherman
Whittlesey House 227 pp. \$2.50

"New Careers" is a very handy and useful description of the many types of occupations in industry which are open to young people. The authors describe in a very readable style the duties and working conditions of a great many jobs, such as machinists, toolmakers, die makers, patternmakers and various supervisory, accounting and engineering positions. The educational and personal qualifications to fill each job are also given. The authors are connected with the Industrial Education Department of the Chrysler Corporation and are completely at home with the subject.

BE YOUR OWN BOSS

Edited by Popular Science Magazine
Grosset and Dunlap 190 pp. \$1.98

So many former service men and women and just plain civilians wish to go into business for themselves that this opportune book should find many readers. Many different fields are treated and helpful suggestions offered. In addition the book tells how much capital is needed, what experience is required and what is the best location for the business one chooses. Among the many lines discussed are employment agencies, vacuum cleaner repair, bee keeping, camera exchange, shoe shine parlors, and many others. This book should convince the skeptical that America is still the land of opportunity.

CLOAK AND DAGGER

By Lt. Col. Corey Ford and
Maj. Alastair MacBain
Random House 216 pp. \$2.50

This is an almost incredible story of the Office of Strategic Services, the organization founded upon a minute's notice by "Wild Bill" Donovan to fight and sabotage the Axis behind their own lines. Recruits for this dangerous work were found among all strata of Americans, from the New York slum dweller to the socialite and included men of all nationalities. Unbelievable deeds of daring were expected of them and the price of failure was the torture chamber and firing squad. Their story is now told for the first time in a manner so interesting that many readers will be unable to lay the book down until they have read it through.

THE FOUR CORNERSTONES OF PEACE

By Vera Micheles Dean
McGraw-Hill Book Company 267 pp. \$2.50

The well chosen title of this interesting book is clarified in realizing that the subject discussed is a compendium of the four great world conferences. Not only are the Proposal of Dumbarton Oaks, the Declaration of the Crimea Conference, the Act of Chapultepec and the San Francisco Charter presented in complete textual form, but they are interpreted lucidly as well. Students of the worldwide drama will discover in this concise volume a well of valuable information, written most ably.

and securities, the bonds will be paid off entirely in cash from proceeds of a bank loan. The company will then revise its plan to divide the portfolio between the first preferred and the second preferred stocks. The second preferred, which is a high-leverage issue, enjoyed a sensational advance last year from around 21½ to the recent high of 51½. Some estimates of liquidating value ran as high as \$100 but these apparently fail to take into account the possibility that the substantial amount of cash saved by redeeming the bonds may become a bone of contention between the first preferred, second preferred and common stockholders.

UNITED LIGHT & RAILWAYS controls two sub-holding companies, Continental Gas & Electric and American Light & Traction. A good deal of work has already been done to improve the system set-up, including dissolution of the top company—United Light & Power—integration of subsidiaries, etc. Some senior obligations have been retired recently through a sizable bank loan, part of which will be paid off through sale of the important subsidiary, Columbus & Southern Ohio Electric. Future dissolution of American Light & Traction will further improve the picture. Eventually, the SEC may lift the present \$1 limitation of the common dividend, which would improve the market position of the stock. Further appreciation possibilities, perhaps 10 or 15 points, might eventuate.

Answers to Inquiries

(Continued from page 102)

taxes, amounted to \$680,307 equal to 82 cents a share compared with \$474,055 or 57 cents a share earned in 1944. Indications are that earnings will increase only moderately during the current year but annual dividend of 50 cents is expected to continue. This is a relatively small company in its field but products are well advertised and the longer term prospects appear favorable.

posed to retain only Illinois Power and Union Electric of Missouri, stocks of which will be held by a new company, Missouri-Illinois Co. Common stock of the latter will be distributed share for share to common stockholders of North American, who, under the plan, will also receive a warrant entitling them to purchase at not more than \$6 a "divestment unit" comprising 1/5 share Cleveland Electric Illuminating Co., 1/4 share Wisconsin Electric Pwr., 1/5 of one participating unit of Washington Rwy. & Elec., and 1/10 share St. Louis County Gas. In addition they

will receive one share of a new company which will own all remaining assets. All claims against North American by Illinois Power will be cancelled. The plan has merit and present stockholders of North American are justified in continued retention with a view to further developments.

STANDARD GAS & ELECTRIC has gone through a long period of tinkering with its integration plan. Some half dozen changes were made and the matter then became involved in the courts, but a final settlement now seems within sight. Instead of receiving a package of cash

How much more inflation this year?

A searching discussion of the near-term inflation risks for men of substantial wealth by one of the country's oldest and most conservative investment counsel organizations . . .

The broad impetus behind the stock market during recent months has been the dread of inflation and what it may do to one's money.

It is apparently very easy to fall in line with the inflationists as long as the stock market is rising. But when the market has a sharp break as in February (20 points—largely in 5 sessions) the tune is quickly changed. Then, there is going to be no inflation! Mr. Bowles is a demon! The price line is to hold and profits to all but vanish!

Outlook for Prices and Profits

What is the cold, unemotional outlook for prices and profits for the balance of this year and looking into 1947? Unbridled inflation—spiralling profits—another 50 or 100 points on the Dow-Jones average as some are predicting? Or quite the reverse?

Admittedly, no one can provide a mathematical answer to this disturbing question. With a view to arriving at the most likely possibilities in our present controlled economy and formulating what seems in the circumstances to be sound investment procedure for the investor of substantial wealth who is primarily interested in preserving it, the American Institute of Finance—with characteristic care and penetration—has freshly surveyed the economic scene with especial consideration to the inflation threat.

The Institute's studied conclusions are embodied in a new 5-page survey just issued to our management clients throughout the U. S. whose investments aggregate many millions of dollars.

Not of Interest to Speculator

This survey does not contain lists of bargain stocks such as endlessly provided by the tipster services, will prove of scant interest to those intent upon scalping profits regardless of the market's level—nor to board-room oracles who know all the answers but the last one. We would prefer that they not send for it.

But to banks, insurance companies, investment trusts, endowed institutions, corporations and individual investors with a minimum capital of \$50,000 interested in safeguarding their funds in the late stages of one of the longest bull markets on record the Institute's latest study may perhaps be worth weighing against the welter of confused, superficial and constantly changing opinion.

Institute's Inflation Survey

Such surveys are ordinarily issued only to clients whose investments are under our supervision or subscribers to our Special Letter Service (issued about once a month—\$250 annually). Copies of our inflation survey are being made available at a nominal charge of \$3.00 to cover the cost of handling—and to discourage purely curiosity requests.

The handling of money after 4 years of rising prices

Without the customary fanfare and exploitation, the American Institute of Finance has been conducting for many years a serious, conscientious and conservative personal supervisory and investment management service for substantial investors interested in the intelligent handling of their money.

We would be the last to suggest that we are infallible, possess superhuman omniscience, or have a magic formula for getting rich quickly via the stock market. But, clients whose account have been under our continuous supervision during the past 10 years, or longer, apparently feel that the Institute has been providing a valuable Service.

We do try to take a realistic view always, whether during the frenzy of 1929, when stocks were ridiculously over-valued, or under the pronounced gloom of such a period as the winter and spring of 1942, when stocks were so obviously under-valued.

We have not allowed intense pessimism to blind us to unusual investment opportunities, nor intense optimism to deter us from selling and developing liquid funds.

We always have been—and always expect to be—conservative.

In directing the handling of a good many millions of investment funds through three eventful decades, we have learned that there is nothing more important than so conducting one's self as to be certain to have plenty of cash to use when stocks are on the bargain counter.

That does not mean selling every security at the top just before the market goes crashing down. It does mean selling gradually on strength after a substantial advance, having more liquidity the higher the market goes, and an abundance of cash available when periodically we run into real investment opportunities.

After a lifetime of experience we are convinced that there is no other course so profitable.

No one who has had any experience in the stock market will make the mistake of thinking he can catch the top.

If we can only remember that the fruits of a bull market lie in what we have to show when the movement ends!

The Institute is now providing personal supervision for a substantial number of individual and institutional clients in virtually every state in the U. S. on accounts ranging from modest sums to several million dollars, with fees based upon the size, character and individual requirements of each account.

We will never make extravagant statements regarding what we have done or expect to do.

In the future, as in the past, we shall be guided by the same exacting and unflinching standards, the same challenging and critical approach, the same insistence upon conservatism that has characterized our work for the past twenty-seven years.

We are confident that these methods and policies will bring by far the best results in the long run.

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